

Chapter

# Strategy

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POINT

- The CSO speaks about progress in third medium-term plan, global strategy
- Human capital management strategy to drive long-term value creation
- Progress in strategies for each business field, future growth strategy
- Progress in addressing material issues through business activities
- High-quality dialogues with stakeholders

Kokuyo Hong Kong Limited

Based in Hong Kong, Kokuyo Hong Kong Limited manufactures and sells office furniture under the Lamex brand. In 2022, it became part of Kokuyo Group. It now serves as the core company in our group's strategy for Asia and China.



Process for Identifying Material Issues

In 2020, we identified a set of material issues (materiality) that were largely based on the SDGs. In 2022, we conducted another materiality analysis to align the material issues more closely with our business strategies. In the 2022 materiality analysis, we performed a gap analysis. Specifically, we reassessed the current societal impacts of our two strategic business domains defined in our long-term vision (CCC 2030) and third medium-term plan (Field Expansion 2024). We then back-casted from the 2030 society we envisage to determine the gap between current impacts and desired impacts. With this information, we identified issues that we need to proactively address. We divided these issues into economic and social categories.

Process for Identifying Material Issues

2020 materiality analysis

Step1

**Step 1 Identify ESG issues**  
First, we identified 34 potential environmental, social, and governance issues by referring to the SDGs and data from MSCI Inc. and the Sustainability Accounting Standards Board (SASB).

Step2

**Step 2 Analyze each issue’s impact on stakeholders**  
Having identified potential issues, we then rated each issue in terms of how much it matters to stakeholders and how much it impacts our business. Issues that had a high score on both metrics were defined as material.

Step3

**Step 3 Review by management**  
The issues rated as material were then reviewed by the management to determine whether the materiality designation was valid.

Step4

**Step 4 Define material issues and goals**  
Finally, for the material issues, we set goals/targets for 2030.

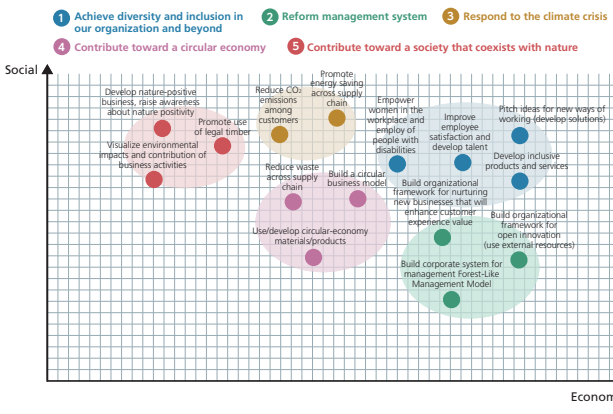
2022 revision

Step1

**Step 1 Identify issues**  
The process of updating the material issues began with a review of the existing issues we had defined in 2020. In that review, we thought about the strategic issues we will need to address if we are to lead the way toward a self-directed, collaborative society and become a company in which no idea goes to waste. Through the review, we sought to identify a new set of material issues.

Step2

**Step 2 Divide issues into economic and social categories**  
In light of the findings of the review conducted in 1 and the strategic themes outlined in the medium-term plan, we identified specific issues to make up for the inadequate elements in the previous materiality analysis. We divided these issues into economic and social categories and then plotted these issues onto the graph shown on the right.



Step3

**Step 3 Consider realigning material issues**  
Previously, our material issues were aligned with the SDGs. However, in this stage, we realigned them with the society we envisage. We then built an organizational framework for these realigned issues. We have set KPIs for our new set of material issues. For the time being, the KPIs are based on our vision for 2030.

Descriptions of material issues


















Material issue	Why the issue matters to Kokuyo and its stakeholders
<div>Strategy 1</div> <div>Improve Wellbeing among Employees and External Stakeholders</div> <div><div>Material Issue 1</div><div></div><div>Improve wellbeing</div><div>1. Pitch ideas for new ways of working 2. Promote diversity, inclusion, and innovation</div></div>	<p>Wellbeing means a state of physical, mental, and social wellness, in which one’s rights and self-expression are protected. We are committed to promoting such wellbeing under the corporate purpose we unveiled in 2022: “presenting a tomorrow you can’t wait for.” We also have an opportunity to do so as an organization that, as well as producing stationery and furniture products, offers office space solutions and workstyle solutions, which are directly connected with people’s work, study, and private lives.</p>
<div>Strategy 2</div> <div>Expand Business Fields through the Forest-Like Management Model</div> <div><div>Material Issue 2</div><div></div><div>Transition to a management system that creates social value</div></div>	<p>In 2021, we unveiled CCC 2030, a long-term vision in which we aim to achieve 500 billion yen in net sales by 2030 by shifting to the Forest-Like Management Model. The main theme of this vision is to become a diverse “forest” of businesses that grows sustainably.</p> <p>During this process, we reaffirmed our values upon which we will expand our business fields: Co-creation with empathy, a culture of experimentation, and designing experiences. This vision requires radical organizational reform, including a change in corporate culture, organizational processes, how we allocate talent, and how we unleash the potential of every employee.</p>
<div>Material Issue 3</div> <div></div> <div>Respond to the climate crisis</div>	<p>Climate change is of the utmost concern as an increasingly urgent issue that affects all humankind. We rely on numerous supply-chain partnerships in our production, distribution, sales, and disposal activities, and our products reach a wide audience of consumers. We therefore have a role to play in the issue of climate change. By engaging with our supply-chain partners in production, distribution, sales, and disposal, we can make positive changes that drive the zero-carbon transition (such as promoting greener raw materials and greener delivery methods).</p>
<div>Strategy 3</div> <div>Safeguard the Planet as a Place for Work and Life</div> <div><div>Material Issue 4</div><div></div><div>Contribute toward a circular economy</div></div>	<p>Until now, the prevailing economic model has been linear, which follows the “take-make-waste” approach (resource extraction, mass production and consumption, mass disposal). The world needs to move to a circular economic model. We produce stationery, furniture, and other items that feature in everyday life. We can therefore lead the transition to a waste-free world (a world in which reusable resources are never wasted) by transforming attitudes about products and by launching services aligned with the circular model.</p>
<div>Material Issue 5</div> <div></div> <div>Contribute toward a society that coexists with nature</div>	<p>Like climate change, loss of biodiversity is a serious concern.</p> <p>We have a longstanding commitment to biodiversity: In 2006, we launched a forest conservation program called Yui-no-Mori (“linkage forest”). In 2007, Kokuyo Product Shiga launched a reedbed conservation program called ReEden. As an organization that uses plenty of timber (not least in our mainstay products of notebooks and office furniture), we have an opportunity to deliver products and services that encourage consumers to take a personal interest in biodiversity.</p>

List of Material Issues

Challenge goals, commitment goals, current progress

General policy

For our material issues (materiality), which are aligned with our vision for 2030, we have set two types of KPIs: challenge goals and commitment goals. Challenge goals are ambitious goals for 2030. Commitment goals are targets for 2024, the endpoint of our medium-term plan.

Material issue	Outcome	2030		challenge goal		2024 commitment goal	Linked SDG
					KPI		
Strategy 1 Improve Wellbeing among Employees and External Stakeholders	Material Issue 1  Improve wellbeing 1. Pitch ideas for new ways of working 2. Promote diversity, inclusion, and innovation	Innovation is created, leading to better wellbeing among diverse individuals and communities.	We promote personalized, authentic employee experiences by marketing life-based work (an approach that tailors work around people, rather than expecting people to tailor themselves around their jobs).		Challenge goals for flexible work options (flextime, empowering women) 27 challenge goals (three per year for nine years)	Shift to mindset that values employees' disposable time 100% take-up rate for paid leave among managers and general staff	  
			We have removed social barriers, encouraging more people to engage actively in work and learning.		Percentage of new product series that incorporate inclusive design: At least 50%	Women account for 12% of management positions  Percentage of new product series that incorporate inclusive design: At least 20%	
Strategy 2 Expand Business Fields through the Forest-Like Management Model	Material Issue 2  Transition to a management system that creates social value	Collaborative approach in all businesses contributes positively to the environment and society, extending empathy outward in society and addressing social issues.	Our new and existing businesses address the problems society faces.		100% of sales have balanced social value and economic value	30 visionary idea (Mirai Yokoku) experiments	
			Our employees make the world a better place in many ways.		100% of employees are addressing social issues	100% participation in sustainability initiatives	
Strategy 3 Safeguard the Planet as a Place for Work and Life	Material Issue 3  Respond to the climate crisis	Our collaboration with partners contributes toward carbon neutrality throughout our supply chains.	With our partners support, we have achieved our carbon emissions reductions target based on the Science Based Targets initiative (SBTi).		SBTi-based emissions reduction target: Target set and achieved (target to be determined)	Emissions reductions target: 50% reduction in our Japanese businesses from 2013 level	 
					Carbon sequestration: At least 6,000 t-CO <sub>2</sub> sequestered a year		
	Material Issue 4  Contribute toward a circular economy	Our collaboration with partners and customers leads the way toward a zero-waste society by reducing, reusing, and recycling.	Over 16% of the Japanese population participates in our programs for building a circular economy, creating positive behavioral changes in society.		At least 80% of net sales attributable to products sold by group (including overseas companies) that support a transition to a circular economy	100% of new products incorporate circular-economy design principles	 
					100% of waste (office, construction services, inventory) recycled		
	Material Issue 5  Contribute toward a society that coexists with nature	We safeguard the planet by balancing business activities with natural capital.	We now disclose our carbon footprint and actions to minimize it, encouraging an eco-friendly attitude in the market.		100% of suppliers endorse our circular-economy design principles	100% of key suppliers (some 400 companies) provided feedback (evaluations, issues to address) in supplier evaluation survey	   
					Carbon footprint of business activities visualized and carbon neutrality achieved		
					Forest conservation: Forests thinned at 150 hectares a year		
					Reedbed conservation: Reeds trimmed at 1.5 hectares a year		



Message from the CSO

Toshio Naito

Director, Corporate Officer  
Managing Officer of the Corporate  
Planning Division  
CSO

Going global with a more ambitious investment and M&A strategy

Japanese furniture business enjoys tailwinds from office renovation demand

The year 2023 was the middle year in our third medium-term plan, Field Expansion 2024 (FE 2024). FE 2024 commits us to improving the profitability of our Japanese businesses, expanding the reach of our businesses, pressing ahead with a global expansion, and incubating new business ideas. In 2023, we made headway with these strategies, largely in line with expectations. Our progress is reflected in our results for net sales and operating income.

As for the results for each business, let me begin with our Japanese furniture business. In Japan, demand for new office builds and office renovations remained brisk, giving us an opportunity to apply our prowess in interior design. Our integrated office designs won acclaim, culminating in pleasing net sales and operating income and driving growth for our organization as a whole. To unlock further growth for this business, we'll focus on talent acquisition and hire more fresh graduates and mid-career talent. We'll also press ahead with a digital transformation program for streamlining business flows.

These measures will increase the market share and make the business more profitable.

Our overseas furniture businesses faced greater challenges than expected amidst the ongoing economic malaise in China. However, the prospects are bright. Kokuyo Hong Kong Limited, which we acquired in 2022, is playing a pivotal role in efforts to streamline business flows, including consolidating products and transferring production. Such streamlining, along with sales price changes and a cross-selling strategy, will increase the profitability of the overseas furniture businesses. With Kokuyo Hong Kong's post-merger integration proceeding as planned, the overseas furniture businesses should be able to achieve their medium-term growth targets once the Chinese economy starts showing signs of recovery.

In our business-supplies business, we're seeing the continued rise of e-commerce with the post-pandemic economic recovery and the return to offices. The competition is heating up here, but I'm pleased by the performance of Benri-net, Kaunet's solutions system for large-scale corporate clients. We'll further strengthen the system to expand the customer base.

Growth in the overseas stationery businesses

In our overseas stationery businesses, we've been working with local subsidiaries on global product development projects that will expand our market presence. For example, we've worked with our Indian subsidiary, Kokuyo Camlin Limited, on a rebranding project. This project involves revamping product lines and their packaging to add more value to the products. This project culminated in sharp revenue growth in 2023—14% more than in 2022—and has given us the confidence in the potential for making India our next big overseas market following China. We've also organized pop-up shops in Thailand, Malaysia, and the USA to test the global demand for value-added stationery, which proved to be a hit with locals. In Japan, our stationery business continued to face a tough environment, forcing us to reallocate resources and optimize costs. By contrast, we're confident of further global growth in our value-added stationery. In 2024, we expect that overseas stationery sales will account for 39% of our total stationery revenue for that year, 3.7 points up from the previous year.

Expanding the reach of our businesses and going global

Our current medium-term plan defines four strategic priorities for expanding the reach of our businesses and expanding globally: dynamic investment, empowered talent, active innovation, and delivering both social and business value.

For dynamic investment, we've focused on M&As. On the belief that we needed a tougher M&A strategy, we established the Growth Strategy Council to provide an organizational structure for deliberating on our growth strategy for the medium and long term. As we build a track record in overseas M&A deals, our M&As are becoming more effective and our vetting process is becoming more streamlined. In the months and years ahead, we'll be building our M&A experience and pursuing overseas M&As more proactively.

For the empowered talent theme, we've started exploring ways to provide every employee with growth opportunities, including holding a talent development committee in each business division and focusing on employee transfers, promotion, and assignment. We've also established a talent management policy and launched an internal talent development organization called the Kokuyo Academy as part of a systematic approach to talent development.

One example of what we've done in the active innovation theme is The Campus Flats Togoshi, which we opened in September 2023 in the Togoshi area of Shinagawa, Tokyo. The Campus Flats Togoshi is Kokuyo's first share house (a residential property with shared

spaces separate from private rooms). The units have been filling up fast, and we're now mulling a second building. That's not the only example. In the second half of 2023, we launched Pandoor, a service that supports parallel work. We have also begun our experiment with Study with Campus, a private study area for middle school and high school students. These examples demonstrate our increased activity and innovation in our entrepreneurial endeavors.

Focusing on cash flow as we head toward further growth

We recognize that our growth prospects will be limited if we just focus on enhancing our existing businesses. Accordingly, as well as expanding the reach of our existing businesses, we're focusing on nurturing ventures that tap into new needs, as part of a shift to discontinuous growth. In 2023, we witnessed a genuine transformation in our employees' mindset, marking a successful transition towards growth.

We want people to see Kokuyo as an organization of sustained growth, and they will only do so if we have a robust capital policy. To that end, we'll be focusing a lot more on cash flow and profitability of capital.

We continue to offload our cross-held shares. As of the end of 2023, cross-held shares accounted for 12.2% of our consolidated net assets. We're on course to reduce this figure to below 10% by the end of 2024.

Regarding shareholder returns, we've previously committed to a payout ratio of 40% in our dividend payments. However, having launched a share buyback program that runs from 2023 to 2024, the total payout ratio for 2023 and 2024 is likely to top 50%.

For ROE, our current benchmark is 8% or more. We're set to meet that target in FY2024, the final fiscal year of our current medium-term plan. Thus, we're making headway in our initiatives that focus on profitability of capital.

We'll disclose further developments in our capital policy in our fourth medium-term plan, which we plan to announce later in 2024.

	FY2023 result	Change from previous fiscal year
Net sales	¥328.7 bn	+¥27.8 bn
Gross profit	¥127.3 bn	+¥10.7 bn
Operating income	¥23.8 bn	+¥4.7 bn
Operating income ratio	7.2%	+0.8%
Net income (attributable to owners of parent)	¥19.0 bn	+¥0.8 bn
Operating cash flow	¥34.7 bn	+¥25.1 bn
EPS	¥143.60	+¥7.82
Dividend per share	¥66.5	+¥9.5

## Long-Term Vision CCC 2030

In February 2021, we unveiled CCC 2030, a long-term vision in which we aim to achieve 500 billion yen in net sales by 2030 by shifting to the Forest-Like Management Model. The main theme of this vision is to become a diverse “forest” of businesses that grows sustainably. We also unveiled a new purpose statement, “Presenting a tomorrow you can’t wait for,” which expresses our role in building a self-directed, collaborative society. Starting with this desirable future scenario, we backcast to the situation today, identifying the material issues that must be addressed for a desirable future (Kokuyo Materiality). In this materiality analysis, we reaffirmed three core values: co-creation with empathy, a culture of experimentation, and designing experiences. By embodying these values in our business activities, we will address the material issues and work toward our long-term vision, CCC 2030.

### Kokuyo’s new business model: The Forest-Like Management Model

#### Our philosophy **be Unique.**

#### Purpose **Presenting a tomorrow you can’t wait for.**

#### Values **Co-creation with empathy | A culture of experimentation | Designing experiences**



By expanding the two fields, we aim to achieve net sales of **¥500 billion in 2030.**

## WORK & LIFE STYLE Company

### Work: Workstyle Field

In this field, we primarily target corporate clients and market products and services that cater to new ways of working.

### Learning, daily life: Lifestyle Field

In this field, we primarily target individual consumers and market products and services that cater to new learnings styles and lifestyles.

<b>New needs: Nurturing business ideas</b> <b>Net sales: ¥50–100 billion</b>	<b>Office management</b> This sub-field focuses on office needs, including facility management and purchasing management.	<b>Talent and values</b> This sub-field focuses on solutions for increasing the productivity and performance of individuals and teams.	<b>Self-driven learning</b> This sub-field focuses on the growing demand for self-expression and authenticity in life and learning.	<b>Co-living</b> This sub-field focuses on people's desire to be true to themselves while living interconnectedly with others.
<b>Existing businesses: Expand fields</b> <b>Net sales: ¥100 billion</b>	<b>Hybrid workplace</b> With the rise of hybrid work and other workstyle changes redefining the role of the office, we have expanded beyond the sale of tangible office furniture to offering design services for the office space as a whole (including timber furniture and digital tech) along with a more efficient purchasing system and an expanded lineup of products. In this way, we help create office spaces where employees can work comfortably and effectively.		<b>Lifestyle tools</b> We deliver value-added interior goods and stationery that fulfill people's home life and stationery needs. In this way, we support diverse lifestyles.	
<b>Existing businesses: Tweak business</b> <b>Net sales: ¥300 billion</b>	<b>Furniture businesses</b>	<b>Business supply distribution business</b>	<b>Stationery businesses</b>	<b>Interior retail businesses</b>
<b>Total net sales in 2030: ¥500 billion</b>	<b>Net sales: ¥300–350 billion</b> <b>Change from 2020: +¥100–150 billion</b>		<b>Net sales: ¥150–200 billion</b> <b>Change from 2020: +¥50–100 billion</b>	



Progress in Third Medium-Term Plan  
(Field Expansion 2024)

Field Expansion 2024

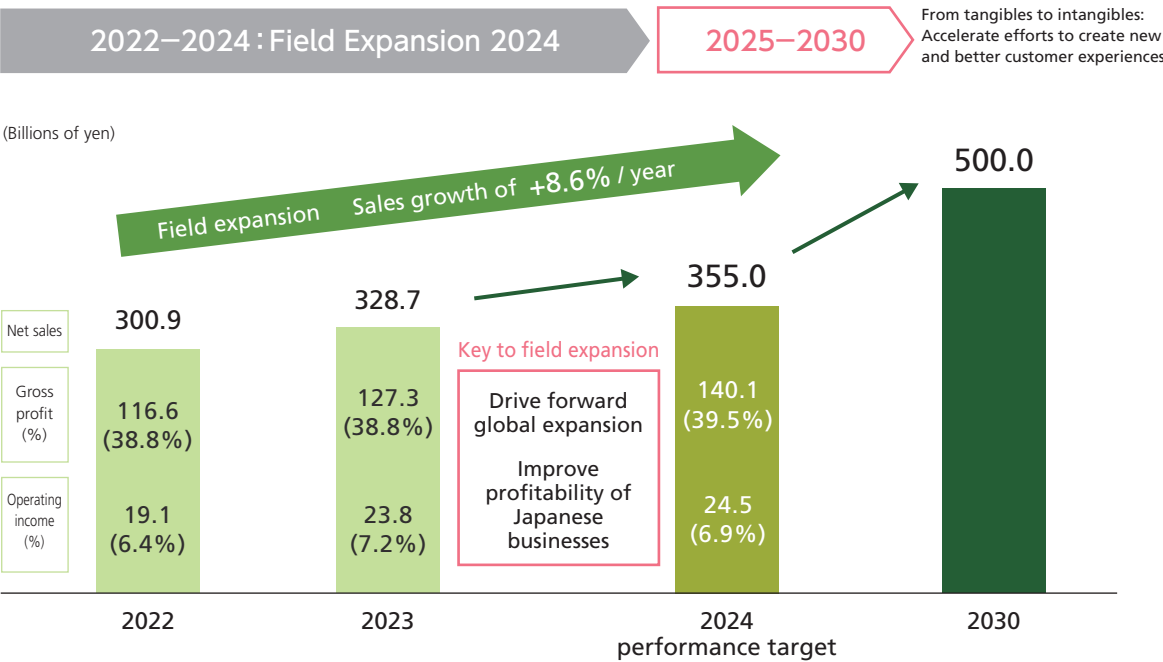
Expand our field of vision



Expand the business fields

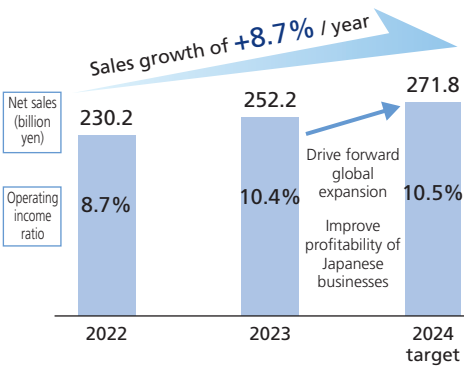
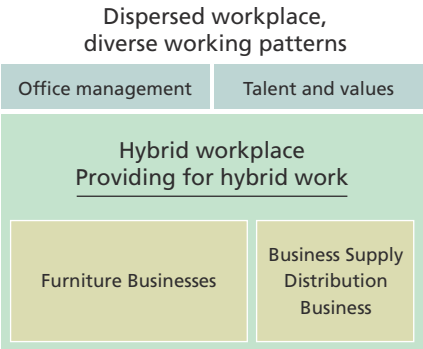
Goal of the third medium-term plan

Accelerate field expansion as a step to achieving sustainable growth by 2030. In the end year of 2024, achieve ¥355 billion in net sales with an operating income ratio of 6.9%



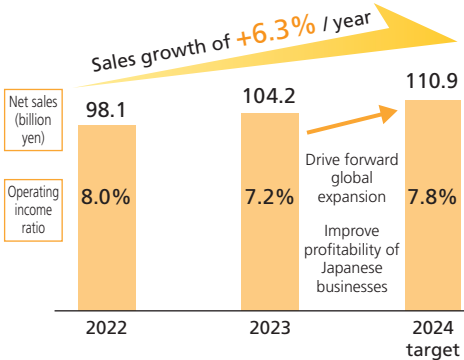
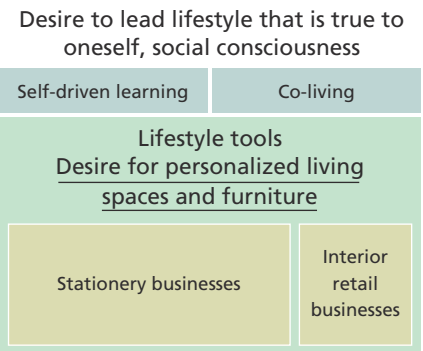
Workstyle Field: Growth Strategy, 2024 Goal

To expand this field, we will capture growth opportunities in the shifting needs for office spaces and office goods associated with the rise of hybrid work, both in Japan and overseas.



Lifestyle Field: Growth Strategy, 2024 Goal

To expand this field, we will target the growing demand for value-added living space and furniture solutions and enhance the customer interface to expand into the lifestyle market.



Four priority tasks for field expansion

We will address four tasks to expand the fields.

	2022–2024	2025–2027	2028–2030
Dynamic investment	<ul style="list-style-type: none"><li>R&amp;D share: Increased from 0.6% to 1.0%</li><li>Growth CapEx: Over ¥30 billion</li><li>Regular/maintenance CapEx: ¥20 billion</li></ul>	¥180 billion strategic investment budget up to 2030 (including amount budgeted in third medium-term plan)	
Empowered talent	<ul style="list-style-type: none"><li>Improve employee mobility and provide more opportunities for employee growth</li><li>Make core posts more fluid</li><li>Appoint 30 leaders</li></ul>	Improve workplace diversity, accelerate innovation	Export our talent
Active innovation	<ul style="list-style-type: none"><li>Establish business prototyping processes and infrastructure</li><li>Launch 15 startups</li><li>500 people with experience in innovation process</li></ul>	Accelerate innovation	Market our process
Social value and business value	<ul style="list-style-type: none"><li>Provide fund for building social value (c. 1% ordinary income: ¥0.2 billion)</li><li>Provide fund for ESG initiatives</li></ul>		

# Global strategy

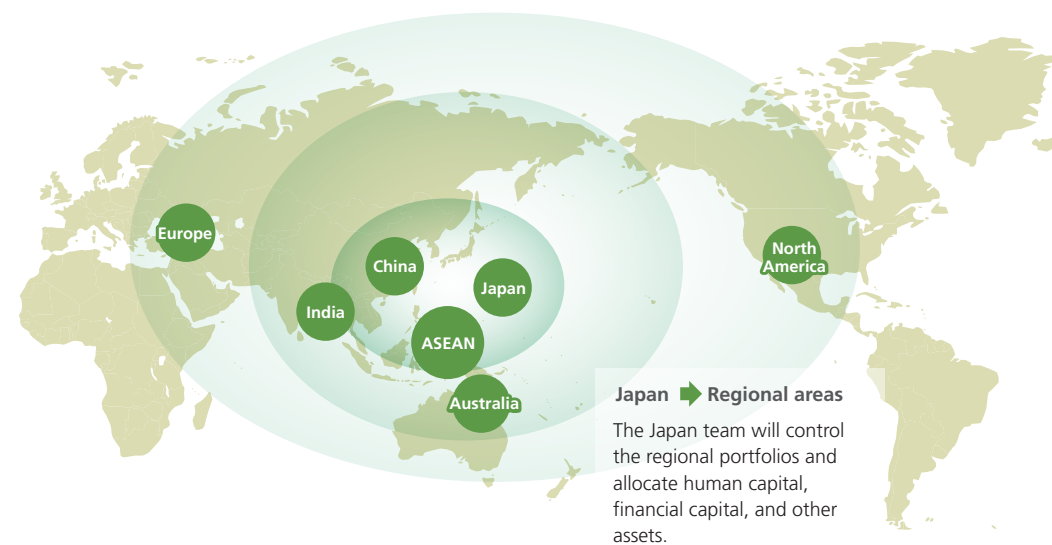
## Thinking behind strategy

Seeing field expansion as global expansion, we will leverage global partnerships to fully channel our group's strengths into markets around the world with a view to improving efficiency and accelerating growth. Our initial overseas target markets are China, ASEAN, and India. Our next target is Australia. Eventually, we want to expand to North America and Europe.

To give examples of our expansion in China, in our furniture business, we have Kokuyo Hong Kong (a furniture company we

acquired in 2022) serving as the linchpin in our strategy to expand the business across the region. In our stationery business, we had success in marketing stationery to schoolgirls in China, and this success has created momentum for a strategy to expand further in China and elsewhere in Asia.

In 2024, overseas sales are set to make up 16% of our overall sales revenue. Growing this share further will be one of the goals of our fourth medium-term plan, which begins in 2025.



## Progress in global strategy

As to our progress in 2023, despite the economic uncertainties in China, we proceeded largely as planned in our expansion strategies for each region. This progress was palpably felt in terms of continued net sales growth and in improved profitability.

In China, ASEAN, and India, we made progress in actively

collaborating with local business partners. We also scaled up by expanding the most effective strategies to other territories.

We are making inroads into other territories too by opening business locations and strengthening ties with local firms.



Kokuyo International Thailand's new office and showroom



Kokuyo Commerce (Shanghai) Co., Ltd.

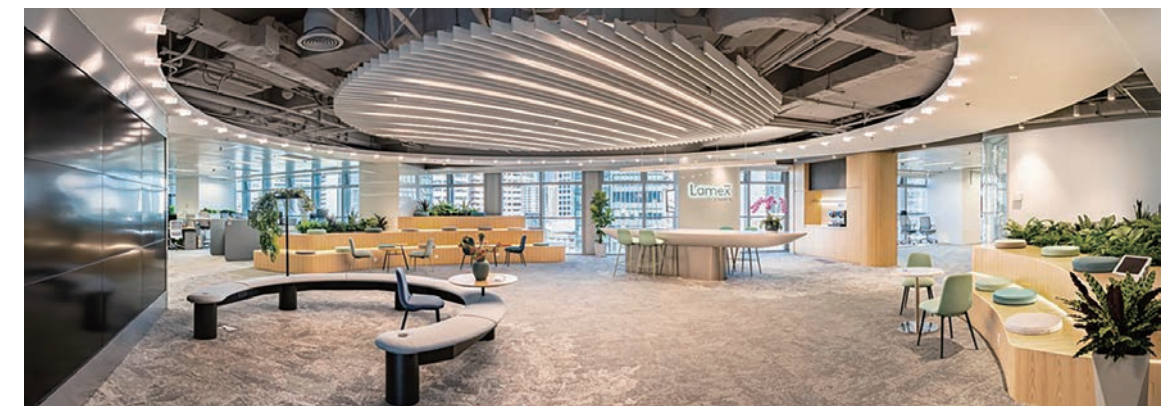
## Global strategy for the furniture business

In our furniture business, we mainly operate in Japan, but we want to expand further overseas given that the Japanese market will increasingly mature in the future. The overseas markets we focus on for expansion are China and ASEAN. In 2022, we acquired what is now Kokuyo Hong Kong through an M&A deal and made it our consolidated subsidiary.

Kokuyo Hong Kong entered our group as the local subsidiary of a US organization. It continues to manufacture and sell furniture under the Lamex brand and has a clientele in Hong Kong,

Mainland China, and other territories.

This means that we have gone from having only local sales functions to having a full-scale manufacturing functions too. To ensure that the acquisition delivers full synergistic effects, we are stepping up the regional strategy by consolidating products into Lamex, transferring production in the Chinese furniture business to Kokuyo Hong Kong, narrowing down target markets, revising sales prices, and strengthening cross selling.



Kokuyo Hong Kong

## Global strategy for stationery

As for our stationery business, with the Japanese market maturing at a rapid rate, we actively pushed to expand this business globally, ahead of our other businesses, and this approach has delivered results. We have so far penetrated China, India, and other Asian markets.

We are now working even closer with local partners to enable a flexible global strategy that encompasses both manufacturing and sales.

In China, we marketed stationery as lifestyle tools. For example, we marketed girls' stationery among secondary-school

girls and combined products in innovative ways, with a different branding strategy for each design taste. This approach drove sales growth, especially in urban areas. In Thailand and Malaysia, we have used pop-up shops to test the market and see whether these markets offer similar prospects for business expansion as China.

In India, we have worked with our local subsidiary Kokuyo Camlin on a rebranding campaign that involves new packaging designs and have invested in the development of value-added products. These actions are intended to contribute to profit growth.



Campus Style opened in Shanghai



Kokuyo Camlin's stationery (watercolor brush pens, mathematical drawing instruments, pencils)



## Yasunari Koshikawa

Managing Officer, Human Talent & Culture Division, and Chair of Wellbeing Subcommittee

# Business-spanning strategic reassignments will create opportunities for employees to develop their abilities to drive our long-term strategy and forge their career paths.

## A passion for solving problems is our strength

When it comes to sustaining long-term value creation and achieving our long-term vision, CCC 2030, the most important thing is to leverage our core competencies to the fullest.

What exactly are our core competencies, then? One of our strengths is summed up by a witticism we've coined: being "diligent and quirky." The phrase encapsulates the kind of Kokuyo employee who is motivated and passionate, almost to the point of obsession, about solving customers' problems and making a positive difference in their lives.

Take, for example, Hako-Ake, a product that functions as both a box cutter and a pair of scissors. This product targets the niche need for a quicker and easier way to open delivery boxes. The audience for the product may be limited and the product may have a limited social impact, but the prospect of customers thinking "that's just what I needed" was the key inspiration, and that's what makes it a quintessential Kokuyo product.

Whether the target audience is big or small, the inspiration behind products has always come from a desire to make someone's life a little easier. Over the years, such creative imagination has become embedded as our organizational culture. It must remain rooted as a universal value in our organization in years to come, when the reins are passed to a younger generation of employees.

However, this "diligent and quirky" mindset has yet to permeate across the whole organization; it remains limited to particular teams or divisions. In other words, there is still significant potential for it to spread. I feel the need to establish a foundation that enables signature Kokuyo-style creativity and a system that allows individuals to fully exert their uniqueness and abilities across both the stationery and furniture businesses, so that we, as an organization, can foster creative talent. Additionally, there is a need to devise and promote a talent strategy that inculcates Kokuyo-style creativity as a common value. This is my main mission.

## The Talent Management Policy in context

With the aim of enabling the expression of signature Kokuyo-style creativity across all business areas, we formulated our Talent Management Policy (see the feature article on human capital management), which delineates the core competencies of our talent. This policy is crafted to empower the talent necessary for realizing our long-term vision. Guided by this policy, management will assist employees in developing visionary ideas.

Kokuyo's agenda for expanding its business area requires us to depart from the conventional approach to talent development. Kokuyo initially focused on stationery and later expanded into the workstyle and lifestyle fields. As a result, employees have tended to specialize in one business area or another. However, unlike in the 1980s and 1990s, when the emphasis was on quantitative expansion, our current focus is on qualitative aspects and value creation under our Forest-Like Management Model. Therefore, we absolutely need talent with multifaceted perspectives.

The policy emphasizes dynamic reassignment, whereby employees who have until now confined themselves to a particular division or business area will start working across divisional boundaries. This approach will help employees develop their career and gain multifaceted perspectives.

In many aspects of business, we require talent with multiple perspectives. One example is our strategy to expand the stationery business in South East Asia. Since business customs and the values young people expect from stationery differ from country to country, our product development and marketing teams must understand the things that apply globally and the things that should be localized. Another example is The Campus Flats Togoshi, a share-house we opened as part of our strategy for expanding the reach of the furniture business. In this project, the team had to think about uses for the idle building that could deliver added value to local people. In these kinds of projects, you need the knowledge and experience to combine Kokuyo's strengths, but you also need to have multifaceted perspectives. In other words, these projects are unlikely to succeed if our employees confine themselves to a single business field.

An urgent task in the months and years ahead will be to ensure that our approach to talent development and acquisition is well-aligned with our strategy for business expansion and all other strategies. Reassigning talent across divisional boundaries is a part of this effort, and it's something we will continue to strongly promote.

## Meaningful reassignment: What matters is matching management's perspective with the employee's perspective

Strategic staff reassignments should be meaningful, requiring alignment between management's plans and employee preferences. While management focuses on cultivating talent to meet strategic objectives, it's crucial to balance this perspective with the potential and personality of the employees involved. Furthermore, it's essential to ensure that reassignments align with the growth experiences employees seek. To facilitate optimal matches, we'll leverage various organizational structures, including the Talent Development Committee, where corporate officers discuss potential assignments for career development, and the 20% Challenge, an internal program allowing employees to spend 20% of their time in another division.

There are cases wherein an employee can only achieve their career ambitions by first gaining the prerequisite knowledge and skills. In such a case, we'll make sure the employee in question understands that, and then we'll provide opportunities for them to gain experience, thereby helping them advance toward their dream career. Ultimately, I hope we can encourage employees to achieve growth beyond their wildest dreams.

## An urgent task: Changing workplace attitudes toward challenge-taking

We conduct two types of employee surveys: a monthly engagement pulse survey and an annual stress check. On the whole, employee engagement is high, and we understand that this is contributing to our high employee retention rate.

Aspects that require more attention in the future include challenge-taking, a sense of growth, and other things that have to do with employees being vibrant. While many employees relish taking on a new challenge, many others prefer to stay absorbed in routine work. Concerningly, this includes younger employees. These findings suggest that we must do more to change attitudes and foster a workplace that empowers challenge-taking behavior. We do have a working environment that is supportive of employees who show a willingness to take on challenges. If an employee raises their voice, they have peers that will come to their help. As a company, we need to channel this culture effectively to create a robust organization that can maximize the challenge-taking ambitions of employees.



# Human Capital Management at Kokuyo

## Building long-term value with visionary ideas (yokoku)

The future society we want to help build is a self-directed, collaborative society—a connected society in which diverse values are respected, in which people balance the pursuit of self-actualization with altruistic concern for others, and in which everyone has a fulfilling work life, study life, and private life. To work toward this future, we will fully commit to addressing the socio-environmental problems inside and outside our organization as defined in our materiality analysis and commit to the Forest-like Management Model, in which we expand our businesses in the field of work and the field of study and private life.

To build a business portfolio that creates new value and address socio-environmental problems, we need a diverse workforce teeming with creative and visionary ideas. We also need to empower such creativity.

Our purpose is to present a tomorrow you can't wait for. A word we have coined to express this purpose is "yokoku." "Yokoku" means the passion, will, and experimentalism to forge a brighter tomorrow. We want employees to put this "yokoku" into practice so that they create value for society.

### Our approach to human capital management



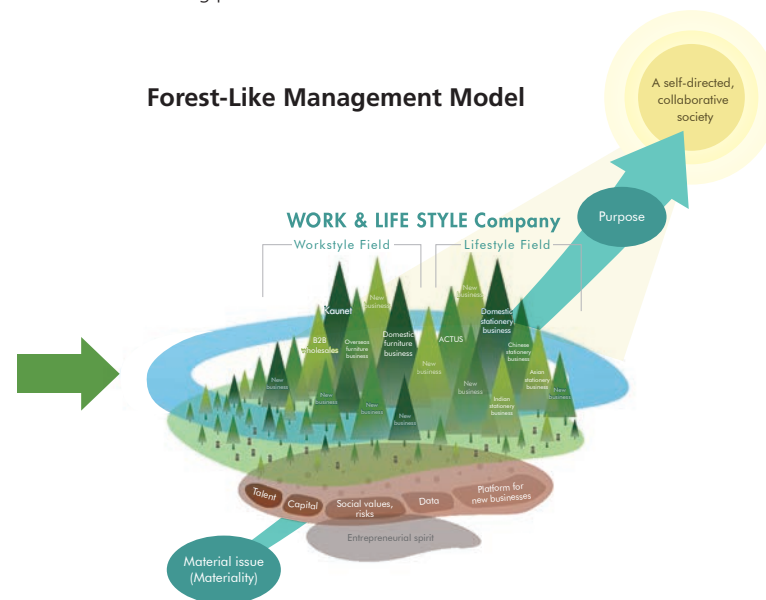
We use the phrase "diligent and quirky" to describe employees who commit themselves wholeheartedly to the problems affecting our customers and society in general and who exercise creative thinking to solve these problems. One of our strengths is having a corporate culture that fosters such a mindset.

To leverage this strength to the full, we will ensure that the workplace has an open culture in which employees feel confident to express their yokoku and build an employee-friendly workplace that empowers diverse employees. These actions are critical to being an organization that presents society with solutions for work and solutions for study and private life.

We need leaders who can not only nurture and shine the spotlight on employees to fully empower everyone's unique personality and strengths but also to help them put their yokoku ideas into action.

Thus, our human capital management strategy focuses on empowering employees to take on challenges and to commit to solving problems with creative action.

### Forest-Like Management Model



## 1. Employees who commit to solving problems with creative action

One of the strengths of our workforce is the way employees commit themselves to developing creative solutions to the problems that customers and society in general experience in their work, study, and private life. This strength ensures high employee fulfillment. It is related to an organizational culture that encourages employees to spark ideas off each other. Another strength is a culture of experimentation cultivated over our 119-year history.

In places like our live office and The Campus, we conduct

many kinds of experiments envisaging office work scenarios. These experiments have led to new businesses. We have also started seeing new businesses emerge from an employee training program called the Kokuyo Marketing School, where employees adopt a customer perspective to identify unmet needs and hone their ability to address such needs. We have a longstanding commitment to empowering creativity both inside and outside our organization. One way we do this is through the Kokuyo Design

Award, an international product design competition that we launched back in 2002 in order to support talented designers and facilitate co-creation with them.

We are an organization full of diligent and quirky individuals, who commit themselves wholeheartedly to the problems affecting our customers and society in general and who exercise creative thinking to solve these problems. No wonder, then, that we have

earned numerous Good Design Awards. We have also earned accolades from two of the top three design award programs in the world: Germany's iF Design Award and Red Dot Design Award. At iF Design Award 2023, we were honored for two of our interior design projects and three of our product designs. At Red Dot Design Award 2023, two of our chairs won the prize.

	KPI	Companies covered	2021	2022	2023	2024
<b>1. Employees who commit to solving problems with creative action (diligent and quirky employees)</b>						
Kokuyo-style employees, strengths	Mission and vision resonance score*1	Kokuyo Kaunet	72	72	72	73
	Number of Good Design Award accolades*2	Kokuyo	24	29	33	—

\*1 Items in the engagement pulse survey conducted monthly

\*2 Third-party awards: iF Design Award, Red Dot Design Award, Good Design Award, Kukan Design Award

## 2. An organizational culture that empowers challenge-taking

### 2-1. Encouraging challenge-taking

We can only create value for society if we have an organizational culture that empowers diverse employees to take challenges and shift to an approach in which employees take the initiative and act across divisional boundaries.

To that end, we are introducing tools to enable smooth inter-divisional communication and establishing structures to encourage initiative taking. We want to facilitate communication across the organization in such a way that we create the most open organizational culture in the world.

In 2002, we started using Slack to enable smooth communication both vertically (between management and frontline workplaces) and horizontally (between different organizational divisions).

To disseminate the use of Slack among our 6 thousand strong global workforce, ambassadors chosen to represent each division or business unit took autonomous action to disseminate Slack within the division or business unit in question. The dissemination of Slack was accompanied by a rise in employees taking on challenges involving inter-divisional action. We normally have more than 30 commercialization projects in the pipeline, at various phases in the development cycle. We now use Slack to

manage all these projects, and the results are impressive. Whereas product development would usually take between six months and a year, with Slack we have halved this time and delivered YoY sales growth of 138%. With these accomplishments, we became the only company in Japan to be honored at the Slack Spotlight Awards 2023.

We also have some unique programs for encouraging employees to take the initiative.

One example is Manabi Share. Launched in 2020, Manabi Share helps employees engage in self-driven learning. Employees earn mileage points in our employee benefit system by organizing workshops on a particular theme to share their experiences and knowledge across the organization and to exchange ideas with fellow attendees.

We provide employees with a satellite-style multipurpose space, known as n.5 (pronounced "enu-ten-go"). The space may be used as a satellite office, but employees can also use it for self-led seminars, self-organized events, and other purposes.

Through these actions, employees are increasingly working with each other in spontaneous ways, resulting in a culture that encourages challenge-taking.

	KPI	Companies covered	2021	2022	2023	2024
<b>2. An organizational culture that empowers diverse employees to take on challenges</b>						
2-1. An open culture and can-do mindset	Challenge-taking culture score	Kokuyo Kaunet	63	66	66	69
	Cumulative total of employees who have participated in Manabi Share	Kokuyo Kaunet	1,989	2,046	2,703	—

2-2. Building a workplace that empowers diverse employees

We act proactively to build a workplace that fully empowers diverse employees.

We want personal growth to accompany team outcome. In 2022, we launched Kokuyo-Style Hybrid Work. This program honors diversity and individuality while encouraging employees to engage in workstyles that improve the productivity and creativity of the team as a whole. In this program, employees choose an office attendance pattern. Every three months, they review how effective the pattern was in terms of team productivity and team creativity and take steps to refine their workstyle.

We are also taking steps to prevent the career bottleneck that employees can experience when they take time away from work to look after children or care for an elderly relative. For employees with childcare commitments, we have provided organizational support to help them focus on parenting with peace of mind. The organizational support includes providing a subsidy for babysitting and an in-office playschool available when schools break for spring and summer. We have also provided support in terms of work rules. For leave to care for a sick or injured child, we raised the child age limit to elementary grade 6 (ages 11–12). For leave to care for an adult-dependent, we have relaxed the dependency level threshold. We will continue working on ways to help employees with family care commitments to balance these

commitments with career growth.

We have a longstanding commitment to inclusivity. We started employing people with disabilities as early as 1940. In 2003, we founded a special subsidiary (disability-friendly employer) called Kokuyo K Heart. In 2006, we founded Heartland as an employer of people with intellectual disabilities or psychiatric conditions.

In 2023, we took a further step in promoting diversity and inclusion by launching Hows Park, a diversity office within our head office.

Hows Park serves as a space for Kokuyo K Heart and Kokuyo to combine their strengths and create new value together. It is a place where people with disabilities and people with none respect one another and where diverse employees stimulate each other's personal growth in process for creating inclusive products and services. We use the experiences and insights gained in this process to present to society inclusive designs and design tech for diversity offices, thereby helping address socio-environmental problems.



	KPI	Companies covered	2021	2022	2023
2-2. Building a workplace that empowers diverse employees	Monthly overtime (hours)	Five main group companies	21.7	22.4	19.8
	Paid leave uptake rate	Five main group companies	48.4%	54.3%	61.7%
	Paternity leave uptake rate	Kokuyo Kaunet	—	64.3%	57.1%
	Percentage of employees who have disabilities	Group companies implementing	2.37%	2.33%	2.38%

\*The five main group companies are: Kokuyo Co., Ltd., Kaunet Co., Ltd., Kokuyo Marketing Co., Ltd., Kokuyo Supply Logistics Co., Ltd., and Kokuyo Logitem Co., Ltd.

3. Shining the spotlight on every employee

3-1. Personalized career support

In 2023, we established the Talent Management Policy to empower the talent we require for our long-term vision and business strategies. The policy sets out the values to uphold when interacting with people. It includes the principle that Kokuyo's workforce as an asset to society and that we should help every employee achieve their potential and cultivate talent that will drive business growth and contribute toward a better society. This principle is shared by the management and every employee. We have enshrined this principle and set it as a standard for drawing forth everyone's value. This is one way in which we are encouraging employees to generate yokoku ideas and providing the opportunity and environment for them to make these ideas a reality.

As part of this approach, the Talent Development Committee held meetings across all divisions so that managers could confer

on how best to support the career of each employee and what job assignments would provide the best growth opportunities. With topics such as women leaders and business leaders, attendees discussed job assignment options and reassignment options with a view to both aiding the careers of the employees concerned and also building a strategic approach to talent development. We have also developed an approach to 1-on-1 career support that aligns with the characteristics of our organization. That is, we use a dedicated system we developed ourselves to facilitate 1-on-1 consultations between a manager and subordinate.

We also have initiatives that encourage employees to take an active interest in their career and raise their level for greater organizational vibrancy. One example is Kokuyo's 20% Challenge,

an internal moonlighting program in which employees volunteer to dedicate 20% of their working hours to working in another part of the company. Another example is a career consultation program in which HR staff offer advice to employees on a 1-on-1 basis.

In 2024, we will launch a program to enhance employee mobility, which is an essential part of career development. While respecting the person's own career preferences, we will offer reassignments whereby employees can discover potential they

never knew they had and gain experiences and insights that are pan-organizational, transcending divisional and territorial boundaries.

In this way, employee support will no longer be left to the employee's superior. Instead, managers will confer with each other and also collaborate with managers in other divisions and with HR in supporting their subordinates' career development.

	KPI	Companies covered	2021	2022	2023
3. Shining the spotlight on every employee					
3-1. Personalized career support	Cumulative total of employees who have participated in the 20% Challenge	Kokuyo Kaunet	129	189	266
3-2. Cultivating leaders	Percentage of management posts held by women	Five main group companies	7.75%	8.14%	9.41%
	Cumulative total of employees who have participated in the Kokuyo Marketing School	Kokuyo Kaunet	118	143	168
	Cumulative total of employees who have participated in the Kokuyo Marketing Graduate School	Kokuyo Kaunet	73	93	113
	Training expenditure per person	Five main group companies	¥39,107	¥42,955	¥54,554

3-2. Cultivating leaders

We want to increase the number of leaders who understand our values and who can lead the team to create new value in line with our purpose—to present a tomorrow you can't wait for.

In 2024, we launched Kokuyo Academia to bolster talent development. The idea behind Kokuyo Academia is to give attendees an idea of yokoku as the source of corporate and personal growth and to help them refine the leadership and creative skills they need to make their yokoku a reality. The idea is also for attendees to gain confidence in their potential from what they have learned so that they will feel empowered to take on a new challenge. In this way, Kokuyo Academia helps foster a culture of continued learning and challenge-taking (yokoku). As part of this, employees practice developing business ideas and strategies at the Kokuyo Marketing School. Through this practice, they gain the marketing skills to look through customers' eyes and identify untapped needs. They then take on the challenge of acting on innovative work ideas for addressing these needs.

To encourage employees to reflect on their leadership practices and identify ways exert more effective leadership, we provide workshops at which attendees review their leadership practices together with colleagues. These workshops are held in conjunction with a 360-degree assessment process for all employees in core (career-track) roles. Other training programs include the Global Career Workshop, which is designed to cultivate a globally fluent talent, and the Humanities AI Academy, which is designed to cultivate digital talent. These programs are well attended.

In January 2024, we launched Learning Day to encourage employees to take that first step in learning new skills and developing themselves professionally. During Learning Day, we invite a leader from outside the company to lead a workshop on a particular theme, helping attendees gain fresh insights and stimulation. We plan to hold Learning Day on a regular basis.

Past workshops

- Masaaki Kanai, Chairman and Representative Director of Ryohin Keikaku Co., Ltd.  
The public-interest capitalism approach
- Dai Tamesue, former track and field athlete  
Mastery and unlearning
- Sogen Yamakawa, head abbot of Shogenji and president of Shogen Junior College  
Zen sermon: Using Zen thinking to reevaluate your life and work

As part of our talent management system, we give opportunities whereby employees can progress to the next level early, regardless of their age and years of experience. We have also lifted our prohibition on taking side jobs in some cases. Through such organizational initiatives, we encourage employees to actively plan and act to advance their career and professional development. In this way, we are enhancing the value of our workforce.



Eight-month period of practical learning at Kokuyo Marketing School



### Message from the Managing Officer of the CSV Division

#### Naotaka Umeda

Managing Officer of the Auditing  
Committee and CSV Division

## Business activities that address material issues will enable us to balance social value and economic value.

### Kokuyo's unique culture: A passion for tackling societal issues

A hallmark of Kokuyo is our passion for proactively tackling societal problems. This mindset is one of our strengths and has become an embedded part of our culture.

As social conditions change, so too do people's values and so too do customers' needs and the societal problems that need addressing. Kokuyo is good at adapting to such macro changes, because no matter how society changes, we always retain our passion for tackling problems. Whenever an existing product or service has failed to meet the customer's requirements, we've put our heads together and combined different ideas to solve the problem, and this has sometimes involved co-creation with the customer. We've also always been creating new value, contributing to the resolution of societal problems. This well-rooted attitude represents a strength that enables us to deliver value for society regardless of changes in the way people work and live, and it represents a part of Kokuyo's unique culture.

### Kokuyo-style materiality: Balancing social value and economic value

The third medium-term plan, Field Expansion 2024 (FE 2024), sets KPIs for five material issues which we are committed to addressing.

In 2020, we ran our first materiality analysis. We referred to societal problems, as represented by the SDGs for example, and identified a number of material issues. However, with employees feeling a little vague on exactly why they should be engaging in these issues, we failed to build up the united effort we'd hoped for. In 2022, we took steps to rectify this situation. First, we clarified our corporate purpose with a new purpose statement—to present a tomorrow you can't wait for. We then defined the ideal future scenario we want to achieve—a self-directed, collaborative society—to establish consensus about our direction as an organization. Finally, we updated our set of material issues, making them reflect Kokuyo's present brand values more closely.

Kokuyo employees once had the notion that sustainability is just about contributing to society in some way. But after we

updated our set of material issues, employees started to see that sustainability is really a matter of how we can solve societal problems through our business operations. The swift response is probably down to Kokuyo's long-held culture of problem solving. Kokuyo as a whole has the passion to engage in sustainability, and while it may still take some time for individual employees to grasp the full significance of this and take actions themselves, change is happening slowly but surely.

A good example of Kokuyo-style sustainability is our commitment to tackling the functional depletion of forests in Japan caused by a lack of forest-thinning work. Back in the early 2000s, Kokuyo started selling products made from timber harvested in forest-thinning operations. In 2006, we launched a forest conservation project called Yui-no-Mori Project in Shimanto, Kochi Prefecture. Until then, timber harvested in forest-thinning operations was mainly used in government offices, but we started offering furniture made from such timber under the brand Yuimori. The idea was to use Japanese timber in a way that would create a more harmonious relationship between people and nature. In this way, we developed a Kokuyo-style sustainable project that creates a positive loop between environmental benefits (sustainable forest management) and economic benefits (contributing to the local economy). All sustainability activities are integrated into our business operations, and the project is driven by the proactive efforts of our employees. Each of our Kokuyo-style sustainability projects will surely help build up our organization's long-term value.

### Understanding and explaining how sustainability action produces economic value

FE 2024 sets out the material issues (materiality) along with 2030 challenge goals and 2024 commitment goals. Each one is very ambitious.

Two of the five material issues are particularly ambitious: improve wellbeing among employees and external shareholders and expand business fields through the Forest-Like Management Model. They powerfully declare our organizational passion for making life better by contributing to a self-directed, collaborative society.

In managing sustainability initiatives, we focus, as you would expect, on working toward the KPIs in a way that will balance social value with economic value, but we also focus on inculcating awareness among employees about the benefits of the initiatives

and the importance of proactive, dynamic action. We also recognize that we must do more to give our shareholders, investors, and other stakeholders a precise and logically coherent account of how our materiality efforts will create economic and social value. These tasks will be on our minds as we approach our fourth medium-term plan.

### Creating as many "That's it!" moments as possible

As I see it, customer needs are societal problems in their own right. Customers experience little annoyances or they find that a product lacks a certain feature that would make it easier to use. When we deliver a product that makes customers say "That's it! That's just what I needed!" we are solving a bona fide societal problem. As small as the problem may be, we'll put our heart and soul into solving it—that's part of our organizational culture. In some cases, this may be hard to square with short-term financial objectives like revenue and profit. But what matters most is to put ourselves into our customers' shoes to find a solution to their problems. That is where our true purpose lies. The more we solve customers' problems, the more we, in turn, enhance our ability to sustainably create economic value. Sustained creation of social value along with economic value requires employee creativity. It also requires us to articulate the organization's values in clear language to ensure they continue to be upheld. Whereas our culture, purpose, and material issues were once tacitly understood, they are now expressed in clear statements, which has helped in clarifying Kokuyo's direction and informing employees about what we value as an organization. Kokuyo's distinctive approach to problem solving—to find what it takes for the customer to say "That's it!"—requires us to unleash one of our strengths: creativity. The Kokuyo-style approach is to get as many "That's it!" moments as possible and, through these inspirations, create economic value. The more employees identify these problems prevalent in society, engage in them, and show the world how we as a company can solve them, the more they will take pride in the work they do. Kokuyo is full of people who keenly observe the small problems in the world, are willing to listen to people's concerns, and offer solutions. One of my primary responsibilities is to enhance the visibility of these valuable assets and foster opportunities for connection and communication. I am committed to intensifying my efforts in this regard.

## 1

# Improve Wellbeing among Employees and External Stakeholders

## Strategy

## 1

Improve wellbeing

Fujii,  
leader of the employee  
wellbeing taskforce

Hayashi,  
leader of the public  
wellbeing taskforce



## Unleashing creativity in the workplace and pitching solutions to the public

As an organization committed to developing ideas for new workstyles and lifestyles that enrich people's lives, we place wellbeing at the center of our business practices. Wellbeing is central to the Kokuyo model, in which employees unleash their inner uniqueness and creativity in their work, yielding insights and ideas that they can then pitch to society.

To promote wellbeing in the workplace, we create an empowering working environment with an effective follow-up process and with programs that enable employees to balance their career with childcare or family care commitments. We have a diversity office called Hows Park, in which diverse members channel their creativity to develop inclusive designs that promote wellbeing in society.

## Basic policy:

Wellbeing is the experience of feeling happy and healthy. To help improve wellbeing, we will promote work-life balance, new workstyles, and a diverse workplace (inclusive of gender, disability, and nationality) that produces innovation. To promote wellbeing in society, we will develop products with inclusive design. For this, we have two challenge goals: pitch ideas for new ways of working, and promote diversity, inclusion, and innovation.

## Vision for 2030

2023 result	2024 target	2030 challenge goals	Outcome
<ul style="list-style-type: none"> <li>Take-up of paid leave: 61.7% (among five main group companies in Japan)</li> <li>Percentage of leadership roles occupied by women: 9.3% (among five main group companies in Japan)</li> <li>Number of inclusive-design projects: 3</li> </ul>	<ul style="list-style-type: none"> <li>100% take-up rate for paid leave among managers and general staff</li> <li>Women account for 12% of leadership roles</li> <li>Percentage of new product series that incorporate inclusive design: At least 20%</li> </ul>	<ul style="list-style-type: none"> <li>We promote personalized, authentic employee experiences by marketing "life-based working" (an approach that tailors work around people, rather than expecting people to tailor themselves around their jobs). Challenge goals for flexible and diverse work options (flextime, empowering women)</li> <li>27 challenge goals (three per year for nine years)</li> <li>We have removed social barriers, encouraging more people to engage actively in work and learning.</li> <li>Percentage of new product series with inclusive design: At least 50%</li> </ul>	Innovation is created, leading to better wellbeing among diverse individuals and communities.

Having coined the term "life-based working" to describe a situation in which the one's workstyle, learning style, and lifestyle are balanced and embody one's uniqueness, we have set 2030 challenge goals and KPIs for our efforts to encourage more people to engage actively and spiritedly in their work and study.

- Challenge goals for flexible and diverse work options (flextime, empowering women)  
27 challenge goals (three per year for nine years)
- Percentage of new product series that incorporate inclusive design: At least 50%

To promote employee wellbeing, we'll shift to a mindset that

places more value on employees' time and promote employee empowerment and growth. As an organization that pitches workstyle solutions, we commit to building a workplace that accommodates diverse workstyles and that empowers employees to develop their potential and build their career.

To contribute to public wellbeing, we will develop products with inclusive design. We define an inclusive-design approach as one in which, from the planning stage onward, one empathizes and co-creates with individuals who have disabilities or face social barriers in order to identify and resolve the issues.

## Actions to achieve the goals

To improve employee wellbeing, we will continue an initiative we launched in 2022 called Kokuyo-Style Hybrid Work. We will keep experimenting with diverse workstyles. For example, we will provide our satellite-style multipurpose space known as n.5 (pronounced "n-ten-go") and, in 2024, start piloting a scheme that allows employees to do remote work in locations other than

their homes to help them balance childcare commitments and family care commitments with career. With new workstyles, employees will gain more disposable time, which will help them unleash their uniqueness and forge a fulfilling career.

To help improve wellbeing among external stakeholders, we will accelerate our inclusive-design initiatives in 2024. We will use

Hows Park as a testing ground for us to pilot our inclusive-design initiatives. At Hows Park, a diverse team of individuals will stimulate each other's creativity to develop inclusive products and

services. To help improve wellbeing among diverse groups of individuals and the public at large, we will pitch our inclusive designs and our designs for the dialogue-based diversity office.

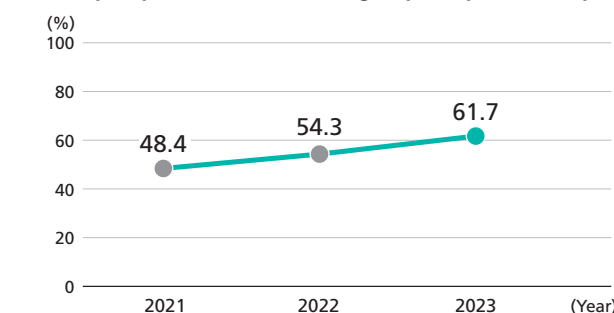
## Shift to mindset that values employees' disposable time

To help employees gain more disposable time, we will transform employee management with new approach to workstyles and time allocation, focusing on three themes: follow-up process, 1 on 1, and leave support.

For the follow-up process theme, team leaders will keep track of members' work with timely follow-ups and then modify work schedules and reallocate resources as necessary. This process will help standardize workflows and improve efficiency at each organizational unit. Alongside this, we will set days for which we encourage employees to take paid leave and encourage employees and their supervisors to hold dialogues about strategic take up of leave. Such dialogue will only be effective if there is an open organizational culture. We have examined the kind of 1-on-1 sessions that best suit our organization (the frequency of the sessions, the settings in which they are held, and the tools used), resulting in the Kokuyo 1-on-1 model, which we have rolled out across our organization.

We are also actively committed to reforming workstyles in the logistics industry. Kokuyo Supply Logistics, following Kokuyo Logitem, has now introduced flextime for distribution center staff and all other employees. With flextime, employees exercise autonomy in deciding which hours they work during busy periods. This contributes to wellbeing by freeing up disposal time and by reducing physical and mental strain.

### Take-up of paid leave: Five main group companies in Japan



\* The five main group companies are: Kokuyo Co., Ltd., Kaunet Co., Ltd., Kokuyo Marketing Co., Ltd., Kokuyo Supply Logistics Co., Ltd., and Kokuyo Logitem Co., Ltd.

## Helping employees build diverse and fulfilling careers

Among our metrics for measuring empowerment of diverse employees in the workplace is a material goal: Women account for 12% of leadership roles in 2024.

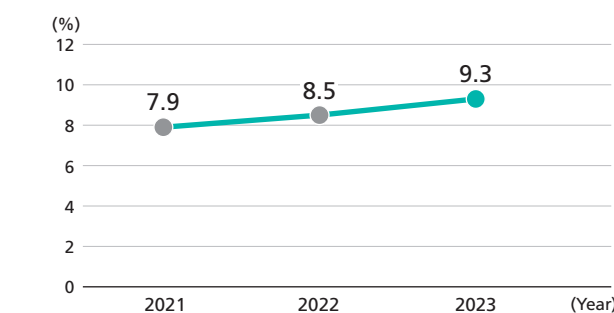
To prevent situations in which employees are forced to give up their career because of childcare commitments or family care commitments, we have revised our systems and improved our programs for helping balance career with such commitments. We extended the coverage of sick child leave so that employees can now use it until their child is in the sixth grade of elementary school. We also relaxed the requirements for family care leave. Alongside this, we revised our personnel evaluation approach for employees on maternity or paternity leave so that their leave does not create a blank period in their record and so that we can take into account the skills the employees have accumulated and provide feedback.

In conjunction with International Women's Day, we held an event that focused on a fulfilling life and career for women (Life & Career Day for Women). The event, which was well attended by employees, both men and women, featured talks by guest speakers. A panel discussion was also organized by employees who were experimenting with strategies to balance childcare commitments with work. In this way, the event encouraged attendees to think about their career and life.

We will continue to help employees develop their potential and forge fulfilling careers.

### Percentage of leadership roles occupied by women: Five main group companies in Japan

Leadership roles: Being a manager or project leader



\* The five main group companies are: Kokuyo Co., Ltd., Kaunet Co., Ltd., Kokuyo Marketing Co., Ltd., Kokuyo Supply Logistics Co., Ltd., and Kokuyo Logitem Co., Ltd.



An event for thinking about life and careers for women



# 1 | Improve Wellbeing among Employees and External Stakeholders

## Promoting inclusive design

We have a cross-organizational taskforce that promotes inclusive design across the Kokuyo Group. With the support of social entrepreneur and social designer Misaki Tanaka, we have launched and showcased Hows Design, a Kokuyo-style approach to inclusive design. Hows Design uses a design approach that emphasizes co-creation through a process of dialogue inspired by asking plenty of “how” questions. Two “how” questions are particularly important: “how are you?” which represents a concern for the people’s needs and “how will we do it?” which represents the passion to build them a better tomorrow. Products and services created in Hows Design are labeled with an original mark. In 2023, we launched three products with the mark. All three items have an inclusive design that accommodates the needs of people with disability and are based on ideas develop through a process of dialogue with members of Kokuyo K Heart Co., Ltd. (a disability-friendly subsidiary) and Kokuyo employees

who have a disability. As well as promoting inclusive design, the taskforce has launched a Hows Design website, held universal manner training sessions for employees, and co-organized a Dialogue in the Dark\* workshop. These and other activities of the taskforce all involve co-creation with external partners. Our goal for 2024 is for 20% of our newly launched products to have been designed through the Hows Design process. In 2023, we launched a diversity office called Hows Park, which runs workshops attended by designers, marketers, inventors, and lead users. So far, Hows Park has held 62 workshops since the opening in 2023, and in 2024 two items were launched onto the market. We will step up efforts to reach our 2030 challenge goal, which is for at least 50% of newly marketed products to incorporate inclusive design.

\* These workshops are run by Dialogue in the Dark Japan. Dialogue in the Dark is a form of social entertainment. The event is held in absolute darkness, impressing upon participants the importance of interpersonal connections and dialogue and helping participants realize the richness of their five senses.



# HOWS DESIGN

This mark appears on products and services that were created through Hows Design

<https://www.kokuyo.co.jp/sustainability/howstdesign/>

### Criteria for Hows Design mark

- ✓ A varied range of lead users participate from the planning stage
- ✓ A pro-diversity approach is used to gain insights that lead to ideas for potential solutions
- ✓ A prototype is shared with lead users in a process of dialogue, and the design is reworked and improved accordingly
- ✓ The design includes features that eliminate barriers to accessibility, so that users can have a better experience

## Promoting inclusive design

2023	Established Hows Design, an approach to inclusive design, and launched three new products
2024	Percentage of new product series that incorporate inclusive design: At least 20%
2030	Percentage of new product series that incorporate inclusive design: At least 50%

USB memory sticks with five color choices and easy-read text



Next-generation counters that make public spaces more inclusive and accessible



## Kaunet’s story about developing products through Hows Design

Among the core products in Kaunet’s original Kaukore premium series is the quick-dispense series. The series includes quick-dispense envelopes and quick-dispense trash bags that let you grab each item one by one without hassle. When designing these quick-dispense products, Kaunet evaluated whether the items would be easy to grab for people with low grip strength or finger strength and whether people with upper limb impairments could really grab each item without hassle. This marked the start of Kaunet’s engagement in Hows Design. Some 200 quick-dispense packs products are on the market. Kaunet’s product development team tested more than 20 packs of trash bags and envelopes over and over again. The tests highlighted issues with the container itself, let alone the pack: It was unclear where the tear-off opening was. Moreover, you had to exert strength to open the container and use both hands to open it. The team then realized team that a quick-dispense design begins from the design of the container opening. The team then prepared tested eight varieties of a perforated tear-off strip, with three samples of paper material in each case. The tests revealed that cardboard has a thickness that makes it easy to remove the tear-off strip. They also revealed cases in which the tear-off

strip became a burden to tug part way through. The team then designed a storage box for holding envelopes and tested the box to see whether it let users grab each envelope one by one without hassle and whether it was accessible to wheelchair users with a lower vantage point. The tests revealed that it was easy to grab each envelope one by one when the stack was tall but that it was harder to do so when the stack was smaller. The team then cut out parts of the box and stuck parts back together in a trial-and-error process. This process culminated in an envelope storage box that was the first Hows Design product in the quick-dispense series. The box is designed so that the user can tell at a glance where the perforated tear-off strip is and can remove the strip with minimal effort. The box also features notches that make it easy to break down and flatten. In other words, the product was designed to be easy to use from the start to the end.



Aoi  
Head of Product Development, Kaunet



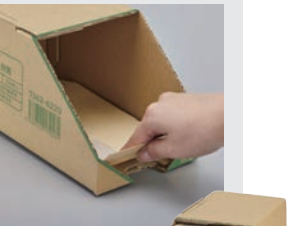
The team tested more than 20 packs of trash bags and envelopes, including its own samples



The team tested perforated tear-off strips over and over again to find the optimum thickness, angles, and toughness.



**Before**  
The box’s tear-off strip is hard to find and the envelopes are hard to grab one by one when only a few are left.



**After**  
The tear-off strip is easy to find and even the last envelope in the stack is easy to grab.

## voice

### Addressing a societal issue in collaboration with Kumamoto City

Kokuyo has worked on a social innovation with Kumamoto City, which is promoting workstyle reform. With the municipal government’s work growing increasingly complicated following the 2016 Kumamoto Earthquake, the pandemic, and the digital transformation agenda, the municipal government wants to bring in private-sector expertise for enhancing the quality of its services and improving the workplace environment. We helped the municipal government reform its workstyles by channeling our expertise in office space design and in improving purchasing operations. Specifically, we redesigned the municipal office’s layout to optimize workflow and enhance the workplace environment. We also helped the municipality introduce a “group address” system (office space is allocated to different teams, with each team having flexible seating arrangements for its members), provided our system for consolidating office consumables, and provided our system for streamlining purchasing operations. By using digital technology, the municipal office vastly reduced its business processes and created new work processes, resulting in a more diverse and inclusive workplace.



Noguchi  
Reformation Project Management Section General Affairs Bureau, Kumamoto City



Ishii  
Group Manager Public Business Development Department Group 1 Business Supply Division KOKUYO MARKETING Co., Ltd.

# 2 | Expand Business Fields through the Forest-Like Management Model

Strategy

2

Transition to a management system that creates social value

Kusu

Head of Corporate Planning Unit  
Corporate Planning Division



### Pressing ahead with efforts to achieve the Forest-Like Management Model

One of our 2030 challenge goals is to reach a state in which 100% of sales have balanced social value and economic value. In our journey toward this challenge goal, we are on track to our 2024 milestone, which is to have produced 30 visionary idea (Mirai Yokoku) experiments. In this way, we are getting closer to achieving the Forest-Like Management Model, in which employees and other stakeholders collaborate in entrepreneurial initiatives and initiatives for expanding the reach of our businesses.

Another 2030 challenge goal is to have 100% of employees participating in sustainability initiatives. The 2024 milestone for this challenge goal is for 100% of employees to be addressing social issues. We still have some way to go toward this milestone. We will continue exploring ways and means to link work at Kokuyo with engagement in environmental and social issues.

**Basic policy:**

Over the years, we've offered solutions for new ways of working, learning, and living through a process of first-hand experimentation in which we design experiences for customers through products and services. Amid the plethora of socio-environmental issues, we want to transform management systems and lead the way to a sustainable future with the support of all employees and businesses. As more partners and customers engage with us, the circle of empathy will expand, sparking more innovation and solving more social issues.

## Kokuyo's vision for 2030

2023 result	2024 target	2030 challenge goals	Outcome
15 visionary idea (Mirai Yokoku) experiments (bringing the cumulative total since 2022 to 22)	At least 8 visionary idea (Mirai Yokoku) experiments (bringing the cumulative total since 2022 to at least 30)	Our new and existing businesses address the problems society faces. 100% of sales have balanced social value and economic value.	Organization-wide collaboration contributes positively to the environment and society, increasing organizational empathy and leading the way in addressing social issues.
50.4% participation in sustainability initiatives (compared to 27% in the previous year) * Questionnaire survey conducted among employees directly employed in domestic consolidated group companies	100% of staff engaging in sustainability efforts	Our employees make the world a better place in many ways. 100% of employees are addressing social issues	

By 2030, we aim to have all of our new and existing businesses contributing to the solution of socio-environmental issues. To that end, we set a 2024 goal to raise the number of visionary idea (Mirai Yokoku) experiments we produce. In line with this goal, we are committing resources in a sustained manner toward new experiments and entrepreneurship that will resonate with an increasing number of stakeholders and lead the way in tackling

socio-environmental issues. By 2030, we want our employees to be playing a positive role in every corner of society. We will therefore integrate everyday work into sustainability initiatives developed by members of taskforces of the Sustainability Committee. We will also organize awareness-raising events for employees and external stakeholders to foster across society a culture of passion and commitment for sustainability.

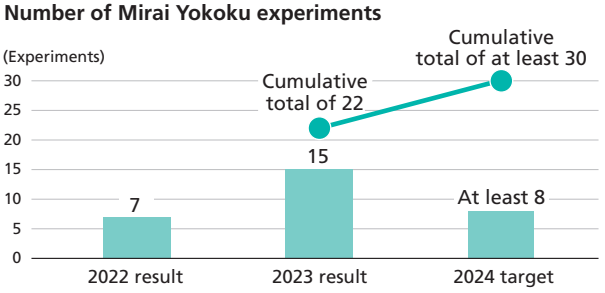
## Actions to achieve goals

Our goal for 2024 is to have produced 30 visionary idea (Mirai Yokoku) experiments and for 100% of employees to be addressing social issues.

In an example of nurturing businesses ideas targeting new

needs, we launched a business in the self-driven learning sector in 2023. The business is called Hello! Family—a new brand that supports communication in modern families and is tailored to diversified workstyles and lifestyles. Combining a smartphone app

and four IoT devices, Hello! Family provides a fun way for users to check where their family members are and what they are doing. The number of visionary idea (Mirai Yokoku) experiments increases year by year. Ideas in the pipeline in 2024 include a solution that helps people work multiple jobs and an idea related to learning spaces for secondary school students. We hope to turn these ideas into businesses.



## A Mirai Yokoku experiment: The Campus Flats Togoshi

With the advent of the 100-year life, people are increasingly spending their disposable time on pursuits related to self-actualization, such as side jobs, adult learning, and communitarian activities, making work life increasingly inseparable from private (or home) life. Against this backdrop, we channeled our abilities in designing office and retail spaces along with our expertise in making work easier and transformed a company dormitory (built in 1990) in Togoshi, Tokyo, into the Campus Flats Togoshi. We celebrated the opening in September 2023. The Campus Flats Togoshi is a multi-purpose facility. As well as having 39 apartment units, it has a study where tenants can have a go at something they have always wanted to do. It also has a food stand open to the public. The facility was designed around the concept of prototyping lifestyles. It provides a space that tenants, as part of their everyday home life, can casually drop into and use to try out something they've always wanted to try, as well as providing valuable time for plotting out one's next life stage.



## voice

### Message from a project member

The diversification of workstyles and lifestyles has hugely increased the range of options for how to live one's life. The inspiration behind this project was a desire to offer people new lifestyle ideas, drawing on our forte in designing experiences. With a space open to the public and innovative content generation, the facility is designed as a place where tenants can casually try out new things and a place outside the company where employees feel connected with the community and their inner selves. In this way, I hope that the Campus Flats Togoshi will contribute to community building and community interaction.

**Arakawa**  
Head of Lifestyle Exploration Unit  
Innovation Center  
Corporate Planning Division



## Initiative for encouraging engagement in socio-environmental issues: Tsunage Loopa

In October 2023, we launched Tsunage Loopa, an environmental education program that brings together three parties to think about how to protect the planet: 1) schoolkids across Japan, who use stationery, 2) Kokuyo, which produces notebooks, and 3) members of the public who engage in recycling. In the program, the schoolkids actively collect used notebooks and participate in the process whereby the collected notebooks are turned into parts of new products. Through this experience, participants will start thinking about how society can shift to a circular economy and create a sustainable future. In FY2023, Tsunage Loopa reached 86 schools, with a total of 21.5 thousand children participating and with some 15,000 disused notebooks (2 tons) being collected. In March 2024, we launched an edition of the Campus notebooks

("Campus notebook Tsunage Loopa") featuring a front cover made from recycled notebooks that were collected at elementary schools in Japan as part of the Tsunage Loopa program. We will continue to encourage employees to take such self-driven initiatives.



Front cover of Tsunage Loopa themed notebook ("Campus notebook Tsunage Loopa")



# 3 | Respond to the climate crisis

Strategy

3

Respond to the climate crisis



**Ito**  
Leader of Climate Crisis Taskforce

### Committed to carbon neutrality across the supply chain

As a manufacturer and retailer with a vast supply chain, we have a duty to engage in the worldwide task of combating climate change. Amid intensifying global efforts to drive the energy transition toward carbon neutrality, we must step up efforts to identify and act upon climate-related risks and opportunities.

The corporate group has an extensive lineup of merchandise and a plethora of goods and suppliers. Action in our company alone will therefore have a limited impact in reducing greenhouse gas emissions. That is why we must engage our supply-chain partners in a united effort to support the transition to carbon neutrality.

**Basic policy:**

Over 90% of our CO<sub>2</sub> emissions are from our value chain (scope 3), meaning that we can't contribute to carbon neutrality just by reducing emissions from our own businesses. We rely on numerous production and distribution partners. To contribute to carbon neutrality, we work with these supply chain partners on initiatives such as switching to more sustainable raw materials and delivery methods.

## Vision for 2030

2023 result	2024 target	2030 challenge goals	Outcome
<ul style="list-style-type: none"><li>CO<sub>2</sub> emissions: 38.9% less than 2013 level</li><li>CO<sub>2</sub> sequestered: 4,133 t-CO<sub>2</sub></li></ul>	<ul style="list-style-type: none"><li>Emissions reductions target: 50% reduction in our Japanese businesses from 2013 level</li></ul>	<ul style="list-style-type: none"><li>With our partners support, we have achieved our carbon emissions reductions targets based on the Science-Based Targets initiative (SBTi). Contribute to sequestering of at least 6,000 t-CO<sub>2</sub> a year</li></ul>	Our collaboration with partners contributes toward carbon neutrality throughout our supply chains.

We aim to become carbon neutral by 2050.

In previous years, we have focused on reducing greenhouse gas emissions at scopes 1 and 2 (emissions directly attributable to our own business operations) in Japan, where our business operations were concentrated. We have now committed to also reducing greenhouse gas emissions at scope 3 (supply chain emissions).

In the medium term, our focus is on the milestone year of 2030, for which we have set Science-Based Targets aligned with the goals of the Paris Agreement.

We have also remained committed to our 2024 goal, which is to reduce greenhouse gas emissions from operations in Japan by 50% from the 2013 level.

## Actions to achieve targets

Our 2024 goal is to reduce our scope 1 and scope 2 greenhouse gas emissions in Japan by 50% from the 2013 level.

Much of our scope 1 and 2 emissions are attributable to electricity. Our business sites are therefore switching to renewables.

In 2022, Kokuyo Mie Plant, a furniture plant, became our first

site to switch to renewables. It was followed in 2023 by Kokuyo Product Shiga, a paper plant.

In 2024, three more sites shifted to renewables: Shibayama Plant (which manufactures room partitions), Kokuyo MVP's Tottori Plant (which manufactures file binders), and The Campus (our core live office in Shinagawa).

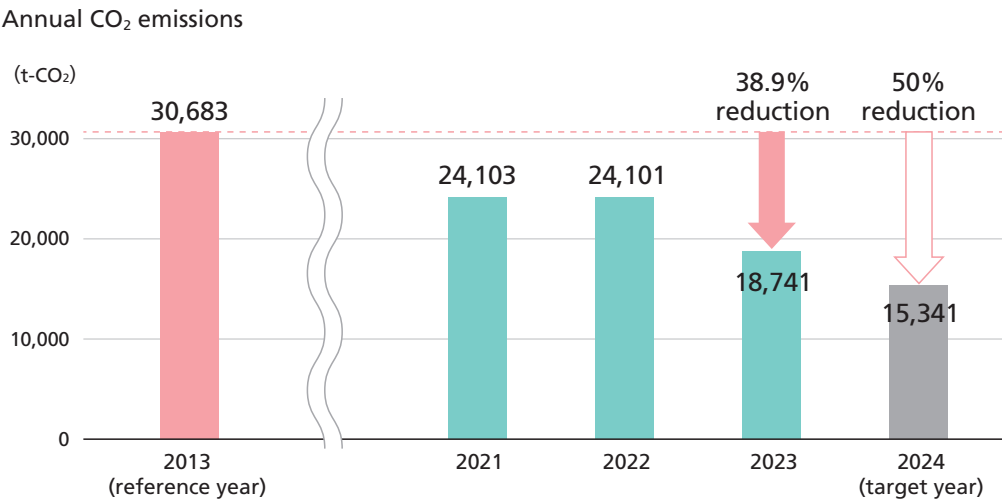
## Progress in 2024 commitment goal (reduce greenhouse gas emissions in Japan by 50% from the 2013 level)

### Kokuyo Mie Plant switched to renewables in 2022 and Kokuyo Product Shiga did so in 2023

As of 2023, two sites had switched to renewables in an effort to achieve the 2024 commitment goal (reduce greenhouse gas emissions in Japan by 50% from the 2013 level). The first was Kokuyo Mie Plant, which manufactures office furniture. The second was Kokuyo Product Shiga, which manufactures notebooks and other paper products.

Both plants produce numerous products for our Workplace Business and Global Stationery Business. With the shift to renewables, both plants now emit net-zero emissions from the electricity they use.

Consequently, CO<sub>2</sub> emissions are down 38.9%.



\* Entities assessed: Domestic consolidated group companies, Kokuyo K Heart Co., Ltd., Heartland Co., Ltd.

## Progress in 2030 challenge goal (set and achieve Science-Based Targets)

### Submitting Science-Based Targets

We have started our journey to reach carbon neutrality by 2050. For our first step, we submitted near-term Science-Based Targets for reducing greenhouse gas emissions in line with the reduction levels demanded in the Paris Agreement. The new targets include those pertaining to scope 3 emissions, so we will therefore engage our supply-chain partners to drive a carbon transition across our supply chain.

### Targets submitted to Science-Based Targets initiative (targets under review as of May 2024)

- Reduce total scope 1 and scope 2 greenhouse gas emissions by 42% between 2022 and 2030
- Reduce greenhouse gas emissions from the scope 3 category "purchased goods and services" by 25% between 2022 and 2030
- Have suppliers of "purchased goods and services" commit to Science-Based Targets to reduce greenhouse gas emissions from "purchased goods and services" by 17.4% by 2028

We will continue efforts to reduce greenhouse gas emissions across our supply chain as well as from our own operations.

# Endorsement of TCFD, TCFD-compliant disclosure



## Governance

In 2022, the Kokuyo Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We regard climate change as a major strategic concern and have established an organizational framework for managing climate-related risks. Under the supervision of the Board of Directors, the Sustainability Committee identifies climate-related risks so that the management can incorporate the information into strategic planning and take the decisions and actions necessary to mitigate the risks. To supervise this process effectively, the Board of Directors hears reports from the committee twice a year and then deliberates on climate-related risks and other sustainability issues. The board also makes decisions on strategically significant risks.

The Sustainability Committee's membership consists entirely of managing officers and the committee is chaired by the Managing Officer of the CSV Division. The committee monitors social and environmental trends to identify strategic concerns related to sustainability. It then formulates action plans and allocates budgetary resources for addressing these concerns. The Environment Subcommittee (a subcommittee of the Sustainability Committee) collaborates with the managers responsible for each business division to identify climate-related risks, incorporate the findings into strategic planning, and spearhead organization-wide efforts to mitigate the risks.

## Strategy

We use scenario analysis to identify the climate-related risks and opportunities and their financial implications so that the necessary measures can be taken. Since 2030 is the endpoint for our long-term vision, our scenario analysis projects climate-related shifts in society and among stakeholders between now and that endpoint.

The scenario analysis conducted in FY2021 covered the furniture business and the business-supply distribution business, which fall under the Workstyle segment. In FY2022, it covered the stationery business and the interior retail business, which fall under the Lifestyle segment.

Scenario	Description of scenario	References
Within 1.5 °C	Sustainable Development / Net-zero Scenarios: Committing to a net-zero transition by 2050, the world acts to keep global warming below 1.5 °C relative to pre-industrial times. Government regulation is tougher compared to that in the 4 °C scenario, and people take a greater interest than they do at present in climate change and other environmental issues.	<ul style="list-style-type: none"><li>• IEO World Energy Outlook 2021. Sustainable Development Scenario/ Net Zero Emissions by 2050 Scenario</li><li>• IPCC SSP1-1.9</li></ul>
4 °C	Stated Policies Scenario: Government regulation is weak compared to the 1.5 °C scenario. There are no further measures or further policy intentions beyond what governments have already implemented or stated. GHG emissions may increase for a time, and people's interest in climate change and the environment remains as it is now.	<ul style="list-style-type: none"><li>• IEO World Energy Outlook 2021. Stated policies Scenario</li><li>• IPCC SSP5-8.5</li></ul>

## Risks and opportunities

### Workstyle Field

Furniture Businesses	
1.5 °C	With growing pressure around the world for a net-zero transition, our customers, suppliers, and other social stakeholders will take more action to contribute to the net-zero transition and to reduce waste. The financial/business risks include higher CO <sub>2</sub> emissions costs, the need for more capital spending, higher raw material costs, and a decline in sales revenue following changes in customers' needs. The opportunities include the potential for developing goods and services to cover shifting customer needs and behavior, and the potential to expand business domains by developing low-emissions businesses. Accordingly, we will seize the opportunity to develop new products and services, as well as new businesses.
4 °C	Timber prices rise amid the global spread of consumer activism coupled with climate impacts. Manufacturing and transportation become increasingly vulnerable to climate-related disaster risks. The financial/business risks include higher raw materials costs and the risk that hiking sales prices to absorb the cost increases may cause a drop in demand for wooden furniture products. Where physical risks materialize, the risks include opportunity losses, business suspension, and the cost of responding to the incident. We will address the risks by increasing our organization's resilience. We also eye opportunities in the changing market trends, including the rise of disaster management efforts and new workstyles in our customers' offices. To capture these opportunities, we will develop new solutions that create value.

Business Supply Distribution	
1.5 °C	As the net-zero transition progresses, customers, distributors, and other social stakeholders take more action to contribute to the net-zero transition and to reduce waste. The financial/business risks include the costs of carbon taxes, higher transport costs, and a decline in sales revenue following changes in customers' needs. The opportunities include the potential to increase sales revenue with a lineup suited to the shifting customer needs. Accordingly, we will seize the opportunity to change our product lineup and expand our digital measures.
4 °C	Product procurement prices rise amid the global spread of consumer activism coupled with climate impacts. Physical risks materialize, disrupting transportation and other parts of the supply chain, which may have severe ramifications for the business model. The financial/business risks include higher costs, both for procurement and for transportation. Where physical risks materialize, the risks include opportunity losses and the cost of responding to the incident. To address the risks, we will strengthen our organization's resilience by altering our procurement strategy and expanding digital measures.

### Lifestyle Field

Global Stationery	
1.5 °C	The global net-zero transition leads to new consumer and market trends, with consumers changing their attitudes toward stationery and other consumables and with new workstyles and learning styles emerging. The financial/business risks include higher CO <sub>2</sub> emissions costs, higher raw material costs, the costs of added investment, and the risk that the stationery market shrinks amid digitalization. The financial/business opportunities include the chance to create new value by developing products and services for Japanese and overseas markets that cater to the emerging trends.
4 °C	Cost pressures increase amid the global spread in consumer activism and the physical impacts of climate change become an increasing threat. The financial/business risks include higher costs of resource and energy. Where physical risks materialize, the risks include opportunity losses and the cost of responding to the incident. Financial/business opportunities include a growing demand for stationery in overseas markets. The opportunities can be realized by strengthening resilience, globalizing the supply chain, and expanding into overseas markets.

Interior retail businesses	
1.5 °C	The net-zero transition increases pressure to realize ecological sustainability, including reducing the CO <sub>2</sub> emissions generated in the life cycle of furniture (from production to disposal). The financial/business risks include higher CO <sub>2</sub> emissions costs, higher raw material costs, and the costs of added investment. They also include the risk that people purchase interior goods less frequently out of concern for the environment and the risk of increased competition from furniture rental and subscription services. Financial/business opportunities can be realized by balancing business interests with environmental friendliness, such as by carbon footprint labeling and developing services that reduce furniture waste (e.g. repair services).
4 °C	Prices for timber goods and other products rise amid the global spread of consumer activism coupled with climate impacts. The supply chain and retail activities become increasingly vulnerable to climate-related disaster risk. The financial/business risks include higher product procurement prices and the risk that hiking sales prices to absorb the cost increases may cause a drop in demand for wooden furniture products. Where physical risks materialize, the risks include opportunity losses and the cost of responding to the incident. To manage these risks, we will strengthen resilience and ensure stable deliveries of our products by altering our procurement strategy and developing our e-commerce business.

## Risk management

Climate-related risks are managed by the Environment Subcommittee (a subcommittee of the Sustainability Committee). Guided by the findings of regular internal and third-party research, this subcommittee identifies and evaluates the risks with the attendance of managers responsible for each business division. Once the risks are identified and evaluated, they are communicated to the business divisions concerned. The strategic implications of the risks are incorporated into strategic planning

by the Environment Subcommittee, while business-specific implications are addressed by the relevant business divisions. Under the existing system for groupwide risk management, the Risk Management Committee has steered efforts across the corporate group to manage groupwide risks. To integrate climate-related risk management into this existing system for groupwide risk management, the Risk Management Committee will now coordinate with the Environment Subcommittee.

## Metrics and Targets

We will step up efforts to reduce CO<sub>2</sub> emissions to mitigate climate change and contribute to a net-zero transition. We have defined the following metric and target for 2024.

Alongside efforts to reduce CO<sub>2</sub> emissions, we support forest carbon sequestration by a forest-thinning program. In FY2022, we thinned 64.23 hectares of forest, contributing to the absorption of 4,133 tons of CO<sub>2</sub>.

Metric	2024 target	2023 result
CO <sub>2</sub> emissions	50% reduction from 2013 level in scopes 1 and 2: consolidated subsidiaries in Japan,* Kokuyo K Heart Co., Ltd., and Heartland Co., Ltd.	38.9% down from 2013 level

\* These subsidiaries consist of the following: Kokuyo, Kokuyo Product Shiga, Kokuyo MVP, Kokuyo Logitem, Kokuyo Supply Logistics, Kokuyo Marketing, Kaunet, Actus, Kokuyo Finance, Kokuyo & Partners, LmD International



## 4

## Contribute towarda circular economy

## Strategy

## 4

Contribute  
towarda circular  
economyYokote  
Leader of Circular Economy  
Taskforce

## Working with customers to spread circularity

When manufacturing tangible products or developing intangible services, we follow a set of circular business guidelines titled Sutenai Circle, which we released in 2023. We launched a website to broadcast our Sutenai Circle initiatives. The website showcases our products and services, visually illustrating our circular business approach, in which we think about how to help spread circularity together with customers—as it is something we cannot do alone. Our 2024 goal was to have 100% of new products incorporate circular-economy design principles. We achieved this in 2023, one year ahead of the target year.

We also launched Tsunage Loopa, an initiative that helps spread circularity. Tsunage Loopa gives schoolkids an educational experience in which they voluntarily bring in old notebooks for recycling and get to see the result of the recycling—new notebooks that are partly made from the old notebooks. Tsunage Loopa has earned acclaim for teaching about the environment in a relatable way and helping children learn an approach to tackling a large-scale problem.

## Basic policy:

We want to use the planet's limited resources efficiently in delivering value to customers. Accordingly, we've been working to recycle more of our waste and to develop ecologically sustainable products and services. As an organization that provides products that are as accessible to as many people as possible, we also aim to promote individuated zero-waste lifestyles. We'll engage partners and customers in our efforts to help build a circular economy, one that recycles and reuses rather than wastes.

## Vision for 2030

2023 result	2024 target	2030 challenge goals	Outcome
<ul style="list-style-type: none"> <li>100% of new products incorporate circular-economy design principles</li> <li>Percentage of waste recycled Offices: 93.8%</li> <li>Construction services: 81.8%</li> <li>Provided feedback (evaluations, issues to address) to 482 key suppliers (around 400 of which were key suppliers)</li> </ul>	<ul style="list-style-type: none"> <li>100% of new products incorporate circular-economy design principles</li> <li>Provide feedback (evaluations, issues to address) to 100% of the (approximately) 400 key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Over 16% of the Japanese population participating in our programs for building a circular economy</li> <li>At least 80% of net sales are attributable to products sold by the Group (including overseas companies) that support a transition to a circular economy</li> <li>100% of waste (from offices, worksites, and warehouses) is recycled</li> <li>Numerous experiments conducted for a circular economy</li> <li>100% of suppliers endorsing Kokuyo literature on circular economy</li> </ul>	Our collaboration with partners and customers leads the way toward a zero-waste society by reducing, reusing, and recycling.

We are committed to working with customers, partners, and other stakeholders to build a zero-waste society, in which resources are used responsibly. One goal we have is to lead the behavioral transition in society by having over 16% of the Japanese population participate in our programs for building a circular economy. Another goal is for at least 80% of our net sales to be attributable to products sold by the Group (including

overseas companies) that support a transition to a circular economy.

To lead the way toward a circular economy, we need to win more allies. To that end, by the end of 2024, the final year of the medium-term plan, we will feedback to our key supplier's evaluation results and issues to address to raise their awareness.

## Actions to achieve goals

We will continue following Sutenai Circle, our circular business guidelines released in April 2023. We will go further with Tsunage Loopa (an elementary school outreach program started last year, in which old notebooks are and recycled into parts of new notebooks) and apply Sutenai Circle to all our manufacturing and service-development operations.

In 2022, we started surveying our key suppliers to monitor their commitment to sustainability. We will conduct a survey in 2024 too and encourage all suppliers to participate in the survey. To fulfill our responsibility as an organization that uses copious amounts of forestry resources (paper and timber), we will start applying standards for paper and timber procurement.

## Applying the circular business guidelines (Sutenai Circle)

## Shifting to a circular model in both tangible and intangible aspects

We followed our circular business guidelines (Sutenai Circle) in 100% of the applicable products we developed in FY2023 (465 series). We are exploring communication strategies that will raise the recycling rate (such as publicizing product information) and developing collect and reuse services. We are also working to reduce inventory waste and other initiatives to resource loss within our organization.



Logo

## Shifting to circular manufacturing

We followed our circular business guidelines (Sutenai Circle) in all applicable products we developed in FY2023 (465 series). An example of such a product from the Furniture Division is Pallo, a chair that is designed to support waste reduction. Featuring a compact form and functionality optimized for work, Pallo supports flexible workstyles. It is also designed for a long service life: The backrest can be detached with the press of a button so that users can reassemble the chair and fit a new backrest as required. We have also published a sheet detailing the product information in a clear, user-friendly format.


<https://www.kokuyo-furniture.co.jp/products/office/pallo/>


## Kaunet: Spreading circularity to balance business value and social value

Our retailer Kaunet has run a circular-business initiative called Kaunet Loopa, which has involved collecting wastepaper from offices and turning it into toilet paper and other products. In 2023, we took this circularity action to the next level with the launch of Kaunet Loopla, which recycles plastic office waste, and the launch of Tsunage Loopa, which recycles children's old notebooks into parts of Campus notebooks.

Our distribution business gives us a major advantage in this area in that we can tap into a network of different businesses and industries. We are now looking to build a program for collecting and recycling all eligible products in Supply Dog, our system for managing office goods. In this way, we will be doing our bit to socially entrench a circular economy.



Loopa  
<https://www.kaunet.com/kaunet/grp/K0025/27893/>



Loopla  
<https://www.kaunet.com/kaunet/grp/K0025/32147/>

## A service for recycling office wastepaper



## A service for recycling office plastic waste



## Engaging with suppliers

Since 2022, we have surveyed our suppliers to monitor their commitment to sustainability. In the 2023 survey, we sent a questionnaire to 533 suppliers. Of these, 482 (90.4%) responded to the survey. We fed back the survey results to every respondent.

In 2024, we will try to get every supplier to respond to the survey. To fulfill our responsibility as an organization that uses copious amounts of forestry resources (paper and timber), we will start applying standards for paper and timber procurement (see "Contribute toward a society that coexists with nature").




# 5 | Contribute toward a society that coexists with nature

Strategy

5

Contribute towards society that coexists with nature



**Saito**  
Leader of Harmony-with-Nature Taskforce

**Balancing business activities with sustainable forestry**

To fulfill our responsibility as an organization that uses copious amounts of forestry resources (paper and timber), we think about what it means to live in harmony with nature in an effort to understand biodiversity how our businesses can impact biodiversity. In preparation for adopting the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), we have assessed the risks to biodiversity from the raw materials and from our business sites and the surrounding areas, using tools such as Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) and Integrated Biodiversity Assessment Tool (IBAT). Since we use copious amounts of paper, we are assessing water-related risks. We have a longstanding forestry conservation initiative, and we plan to launch a new conservation initiative with a focus on our supply chain.

**Basic policy:**

Conservation of forests is a major imperative for us since we use plenty of forest resources (not least in our mainstay products of notebooks and office furniture). Over the years, we have worked to conserve biodiversity and reduce our use of hazardous materials in order to minimize our impact on the environment. From this year, we'll monitor and take steps to improve our impact on the environment so that we can balance business activities with natural capital for a healthier planet.

## Vision for 2030

2023 result	2024 plan	2030 challenge goals	Outcome
<ul style="list-style-type: none"><li>Started gathering data to clarify negative environmental impacts (risks from raw materials, risks from businesses, and risks to surrounding areas)</li><li>Forest conservation: 64.23 hectares of forest thinned</li><li>Reedbed conservation: 1.26 hectares of reeds trimmed</li></ul>	<ul style="list-style-type: none"><li>Apply Kokuyo Group Standards for Procuring Paper and Timber</li><li>Develop activities to create positive environmental impacts</li></ul>	<ul style="list-style-type: none"><li>Carbon footprint of business activities visualized and carbon neutrality achieved</li><li>Forest conservation: Forests thinned at 150 hectares a year</li><li>Reedbed conservation: Reeds trimmed at 1.5 hectares a year</li></ul>	We safeguard the planet by balancing business activities with natural capital.

Our goal for 2030 is to be leading the way in action to minimize environmental impact and to foster in the market as a whole respect for biodiversity and a willingness to safeguard the environment. By balancing business activities with natural capital, we will help build a world in which people live in harmony with nature.

To that end, we will use infographics to visualize the environmental impacts of our business activities and work toward neutralizing these impacts. As part of this, we will continue our

existing conservations programs, which include forest thinning and reedbed conservation.

We have three specific goals. The first is to visualize (present infographics showing) the carbon footprint (or environmental impacts) of business activities and to achieve carbon neutrality (to neutralize these impacts). The second, which concerns forest conservation, is for forests to be thinned at 150 hectares a year. The third, which concerns reedbed conservation, is for reeds to be trimmed at 1.5 hectares a year.

## Actions to achieve goals

For the first goal (carbon footprint of business activities visualized and carbon neutrality achieved), we focus on three actions: visualization, neutralizing negative impacts, and creating positive impacts. For visualization, we will assess the risks from our raw

materials and from our business sites and the surrounding areas. For neutralizing negative impacts, we will establish and apply standards for procuring paper and timber. For creating positive impacts, we will look into launching new conservation activities.

## Kokuyo Group Standards for Procuring Paper and Timber

Our businesses rely on forestry resources. In April 2024, we established the Kokuyo Group Standards for Procuring Paper and Timber. We satisfy these standards in our procurement of paper and timber. We will go further in ensuring that our procurement activities are sustainable—that respect for people’s safety and human rights is upheld across our supply chain.

**Kokuyo Group Standards for Procuring Paper and Timber**

Kokuyo's businesses are heavily dependent upon goods made from natural resources, in particular paper and timber. Paper and timber are renewable resources. Kokuyo's businesses are therefore renewable if they use paper and timber that has been managed responsibly. They will be unsustainable, however, if the natural resources that supply the paper and timber are managed irresponsibly. With this firmly in mind, we commit to sustainable procurement, whereby we safeguard or reinforce ecosystems and biodiversity underlying our businesses and respect the safety and human rights of all people across our supply chain.

- As a rule, we prioritize use of paper and timber that is certified in an internationally reputed certification system.\*
- If we are unable to use such paper and timber, we will use paper and timber that is confirmed to have satisfied the following legal criteria:
  - The product can be traced back to the furthest upstream production site.
  - Documentation is available certifying that the product complies with legal requirements in the territory of production.
  - The product is not made from a species threatened with extinction.
  - The product does not harm the ecosystem.
  - The product does not harm the local environment or local community.
- We will only use recycled paper or timber that has been recycled legally following market circulation.
- We will routinely monitor the percentage of raw materials that satisfy the above criteria. Our goal for 2030 is to get this percentage to 100%.
- If the paper or timber in question has been certified but there is doubt about its sustainability, we may suspend procurement of the product until we have confirmed that it meets these standards.

These standards apply to paper and timber, but we will follow these standards in our procurement of other raw materials too. We intend to set out separate sets of standards for other raw material categories.

\* Currently, these certifications systems may include the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC).

## Yui-no-Mori

In 2006, we launched a project to conserve a private forest in the Taisho district of Shimanto, Kochi Prefecture, which we named Yui-no-Mori (“linkage forest”). In this project, we thin the forest and make effective use of the resulting timber. Our purpose is to lead the way in reviving manmade forests and restoring the link between the natural environment and local livelihoods. In 2007, the project was certified by the Forest Stewardship Council® (FSC®). Today, Yui-no-Mori has a surface area of 5,425 hectares, and a cumulative area of 2,053 hectares has been thinned. Kochi Prefecture has awarded us the “CO<sub>2</sub> absorption certificate” since

2007. In FY2022, the forest absorbed 4,133 t-CO<sub>2</sub> in that year. The cumulative total (April 2006 to March 2023) stands at 76,222 t-CO<sub>2</sub>. We have also developed Yuimori, a new brand of sustainable wooden furniture made from timber harvested from Yui-no-Mori. Yuimori earned the top prize at the 6th EcoPro Awards and was honored at the Japan Wood Design Award 2023.



## ReEden Project

The reeds of Lake Biwa play an essential role. They provide an aquatic habitat, support biodiversity, and absorb CO<sub>2</sub>. In the past, the reeds served as material for roofing and sudare screens, but with the decline of such traditional industries, the reedbeds are no longer maintained so well. The lake once had 260 hectares of reedbeds, but only half remains. Since 2007, Kokuyo Product Shiga (which operates near the lake’s shore) has engaged in winter reed cutting (which takes place three times a year, from December to March) to help safeguard Biwa Lake’s environment. In FY2023, these efforts were endorsed by 132 companies and by local residents, public servants, museums, and schools, illustrating our collaboration with industry, academia, government, and civil society. In 1992, Shiga Prefecture passed an ordinance on reedbed protection to preserve Lake Biwa’s beautiful environment and fight climate change.

Reed cutting supports the environment because when the reeds grow, they absorb carbon dioxide and filter impurities from the water to

a greater extent. In biomass surveys, a predetermined sample of the reeds are cut from the reedbeds and their length is measured to determine the amount of carbon dioxide the reedbeds are sequestering. In 2023, 13.3 tons of carbon dioxide was sequestered over a project area of 12,600 square meters. Compared to reedbeds that are never trimmed, reedbeds that are periodically trimmed have ticker, longer, and more healthy reeds.

To extend to expand the project outward, we have brought on board more stakeholders outside our network of volunteers. This year, 35 activities were held with a cumulative total of 5,500 people participating. We will hold more activities in the future.





Stakeholder Communication

As part of its long-term vision, CCC 2030, Kokuyo commits to sustainability management with a view to sustainably building its long-term value. We recognize that thorough communication with stakeholders is essential in the course of our sustainability efforts. We regularly engage with stakeholders who directly impact the value of our organization, namely customers, supply-chain partners, employees, and shareholders/investors. Outlined below are examples of our engagement with employees and shareholders/investors.

Dialogue between Kokuyo’s management and employees

Topic: **An approach to talent management that will fully unleash one of Kokuyo’s strengths—creativity**

Participants: Kokuyo employees (members of the materiality taskforce)  
Asano, Nagao, Yoshioka, Koumori, Saito, Goto  
Kokuyo management (managing officers)  
Masahiro Fukui, Yasunari Koshikawa, Takashi Onoda, Naotaka Umeda



Talent Management Policy

In November 2023, we established the Talent Management Policy to codify core competencies for our talent and enable us to unleash Kokuyo-style creativity in any business field.

The management then informed employees about the purpose of the policy and about the training and reassignments and other actions that will be taken in line with the policy. After learning that the policy will emphasize personalized employee development, the employees said that they feel more optimistic about their future career progression and feel more committed to engaging with society. The employees also declared their resolve to share with the company how they will apply their talent in the future.

Kokuyo-style talent and culture

The management and employees held a discussion to consider the aspects of Kokuyo’s talent and culture that set the organization apart.

The management highlighted qualities like a broad-minded attitude that accepts people of all backgrounds and a tolerance for different personalities and values. Employees said that, by participating in the materiality taskforce, they gained a renewed sense of Kokuyo’s approach to identifying problems and then developing products to solve these problems. They also said that they would apply the knowledge and experience they gained on the taskforce in their regular job.

Dialogue between Kokuyo’s management and shareholders/investors

Topic: **Where Kokuyo has done well, and where it has done less well, in building the social and economic value to increase the organization’s long-term value**

Participants: Tokio Marine Asset Management Co., Ltd.  
Hiroyuki Natsume Senior Analyst Responsible Investment Department

Participants: Kokuyo management (managing officers) Noritomo Miyazawa, Takashi Yoshida, Naotaka Umeda



Progress in material issues, balancing social and economic value

For each material issue, we have established a division-spanning taskforce to spearhead action on the material issue.

In the dialogue, the management expressed the view that Kokuyo, instead of just pursuing economic value, has a longstanding commitment to addressing socio-environmental issues such as promoting well-being and leading the transition to a circular economy, and that the step of identifying material issues has helped entrench this commitment throughout the organization. The management also mentioned that Kokuyo’s use of digital technology has further enhanced the wellbeing among internal and external stakeholders. Hiroyuki Natsume, from Tokio Marine Asset Management, said that he now has a clearer idea of the process by which Kokuyo will build long-term value because Kokuyo has clarified how its initiatives fit into its strategy, including how it is trying to change itself and how digital technology drive this change.

What is it about Kokuyo that impresses shareholders/investors?

Hiroyuki Natsume raised many issues regarding Kokuyo’s progress in addressing the material issues and building its medium- to long-term value. On the other hand, he noted that the company’s initiatives are starting to bear fruit and expressed optimism about the prospects for integrating and quantifying social and business value. Taking the perspective of an investor, Natsume said that Kokuyo should communicate its initiatives on material issues and background information in a more timely manner so that investors will have plenty of data to determine when they could expect the initiative in question to deliver a return on investment. Natsume told the management that Kokuyo should set out a clear roadmap toward the point where investors will see returns.

He also praised the management’s engagement with shareholders/investors, saying that this proactive approach yields quality dialogue and helps the management and shareholders/investors see eye to eye. His feedback brought home to us how stakeholder dialogue helps us build the company’s long-term value.

# Workstyle Field: Business Strategy

## Furniture Businesses

### Future vision

Capitalize on the brisk office demand in Japan and expand the overseas businesses to drive growth for Kokuyo as a whole.

### Goal

FY2024: Net sales ¥168.1 billion  
Operating income 24.2 billion yen

### Opportunities

- Brisk demand for new office builds and office renovations in Japan
- Growing office demand in China and other Asian markets

### Risks

- Economic uncertainties in China and other markets



**Akira Yata**  
Managing Officer,  
Division Manager of  
Workplace Business Division

**Masahiro Fukui**  
Managing Officer,  
Division Manager of Overseas  
Furniture Business Division

**Koji Morita**  
Managing Officer,  
Deputy Division Manager of  
Workplace Business Division

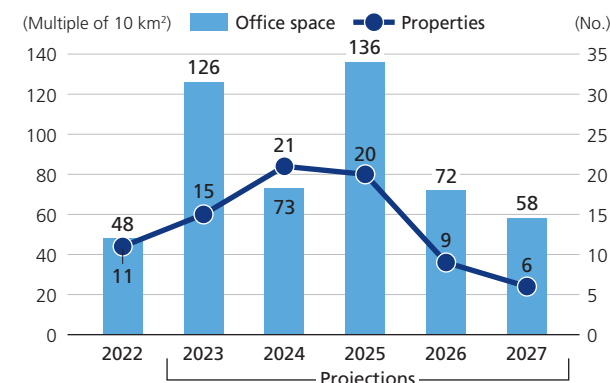
**Kosuke Ono**  
Managing Officer,  
Deputy Division Manager of  
Workplace Business Division

## Market situation

In Japan, we continue to see brisk demand for new office builds and office renovations. Taking advantage of this opportunity, we will streamline business processes and bolster our workforce to expand our market share.

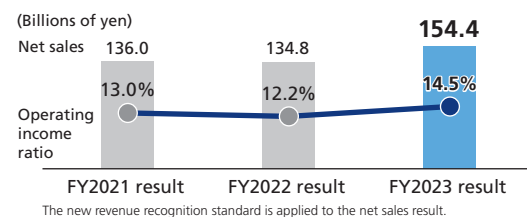
The situation is tougher overseas, with economic uncertainties persisting in China. We will effectively leverage Kokuyo Hong Kong as a production hub to expand beyond China into ASEAN and other global markets.

## Supply of large office buildings



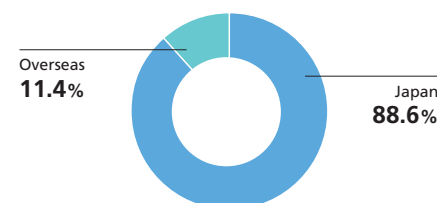
Source: Based on Mori Building Company's 2023 survey of large office buildings in Tokyo (23 special wards)

## Performance over the years



The new revenue recognition standard is applied to the net sales result.

## Net sales breakdown (FY2023)



## Business overview

In Japan, we have targeted the demand for office relocation and the brisk demand for office renovation amid a burgeoning supply of large office spaces in Tokyo. We have pitched office designs tailored to the client's workstyle needs in an effort to grow the business and improve its profitability.

In China and ASEAN, we have worked with Kokuyo Hong Kong to expand cross-selling and consolidate production, but we have also faced headwinds from economic uncertainties in China. Financial results for the sub-segment were as follows: Net sales totaled 154.4 billion yen (14.5% up from the previous year) and operating income totaled 22.4 billion yen (35.9% up).

## Strengths

In this business, we deliver tangible goods and intangible services that flexibly cater to the changes in workstyles, that are inspired by customer-oriented thinking, and that address the workstyle needs of the future and the lifestyle needs of workers. Rather than just acting as a furniture maker and delivering physical furniture, we offer consulting services for office construction, interior design (and concept), workstyles, and office operation, with an emphasis on empathizing and co-creating with the customer.

We gained a major strength overseas with the acquisition of Kokuyo Hong Kong's procurement, production, and sales power. Through a post-merger integration, we will generate synergies and position Kokuyo Hong Kong as the fulcrum in our general strategy for the ASEAN area.

## Growth Strategy

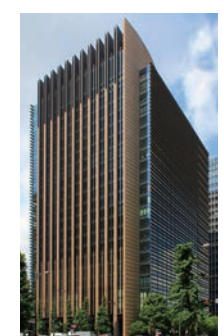
1. We will expand market share by winning contracts for new office builds and office relocations, taking advantage of the brisk demand for such.
2. We will streamline the business processes in design, sales, and other functions.
3. We will increase future growth prospects by investing in efforts to bolster the workforce and further streamline business processes.
4. We will use Kokuyo Hong Kong to improve production and strengthen sales operations in China and ASEAN. Specifically, we will consolidate product categories, relocate production, clarify target markets, revise sales prices, and strengthen cross-selling with Kokuyo Hong Kong. Through an effective post-merger integration, we will generate synergies.

## From furniture vendor to SMBC's consulting partner

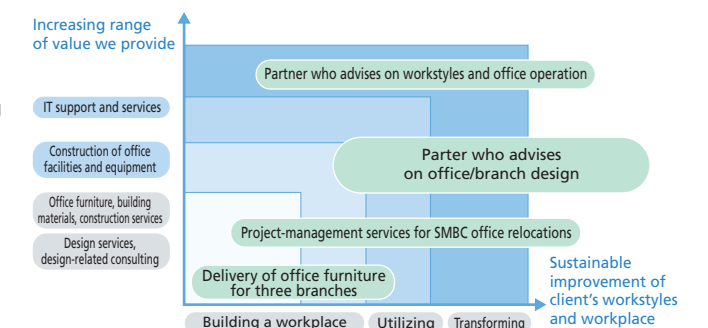
One of our hallmarks is that we expand our range of services to reflect our customers growth and the needs of the times. Ever since launching the furniture business, we have worked with Sumitomo Mitsui Banking Corporation (SMBC) to create a positive workplace environment. Initially, we served as SMBC's vendor for office furniture. Eventually, we became a trusted partner that advised the bank when it relocated or renovated its head office or a sales branch. Our services have covered construction work for office relocations along with solutions for interior design, workstyles, and office operation. In this way, we have expanded the range of services we offer, helping expand the business portfolio.

This expansion began when we made an effort across our entire value chain to communicate closely with SMBC and learn how the bank operates. As part of this approach, we conferred with SMBC over its objectives to find opportunities for co-creation. In this way, we forged a rapport with successive generations of managers and with multiple departments in SMBC. Consequently, on multiple occasions, SMBC turned to us when opening a new branch or renovating an existing one. In a recent instance, we worked on the interior design for SMBC's headquarters in Otemachi, Tokyo. We have also provided services related to business process outsourcing.

As we continue to develop the business, we will keep working closely with customers to build better workplace environments that cater to increasingly diverse workstyles.



SMBC's Otemachi headquarters





Business Supply Distribution

**Future vision**  
Actively embrace e-commerce to optimize the purchasing process for large-scale clients.  
**Goal**  
FY2024: Net sales ¥103.7 billion  
Operating income 4.4 billion yen

- Opportunities**
- Growing mail-order and online shopping market for office supplies
  - Post-pandemic return to offices
  - Growing demand for simpler purchasing process
- Risks**
- Increasingly tough competition
  - Higher logistics costs



**Noritomo Miyazawa**  
Managing Officer,  
Division Manager of Business  
Supply Distribution Division

Market situation

With the post-pandemic return to offices, the business-supplies market has continued to grow. In this market environment, our strategy for increasing market share has been to market our purchasing solutions system, Benri Net, to large corporate clients.

On the flipside to this growing market, we face the risk of increasing competition in e-commerce alongside higher logistics costs.

To manage these risks, we are focusing on a differentiation strategy and channeling Kaunet’s extensive marketing assets into the development of products.

Business overview

We have followed our medium-term plan for expanding the business. This includes integrating Kaunet with the wholesaling business to streamline business processes and using system investments to improve experience value (e.g., better user interface and better user experience).

In FY2023, the market continued to grow with the post-pandemic return to offices. Although we faced headwinds from rising competition with peers along and higher logistics costs, purchases among large companies were brisk, with higher price per unit and sales price revisions.

Financial results for the sub-segment were as follows: Net sales totaled 97.8 billion yen (2.6% up from the previous year) and operating income totaled 3.8 billion yen (19.1% up).

Strengths

By integrating Kaunet with our wholesale business, we can comprehensively cover mail-order and online shopping services for essential office supplies. We can also help customers use office supplies more efficiently and help customers streamline order management and inventory management at customers’ retail stores. We have successfully penetrated the growing e-commerce market by capitalizing on the demand for purchasing management and changing user needs amid the pandemic-driven rise of hybrid working.

Another major strength is our ability to channel Kaunet’s extensive marketing data into the planning and development of products for emerging needs. Kaukore Premium and Kokuyo HibiFull are original services developed after listening to user feedback directly and gauging customers problems and requirements accurately and in real time.

Growth Strategy

Our main growth strategy is to streamline the corporate purchasing process and extend our range of products, reflecting diversifying workstyles.

1. We will grow our customer base by improving Benri Net, our purchasing solutions system for large corporate clients.
2. To expand the business, we will accelerate efforts in e-commerce and improve customer experience value. Specifically, we will improve the user interface and user experience on Kaunet’s website, drive more traffic to the website, and attract more users to the website. We will also shift our wholesale business toward e-commerce.
3. With Kaunet serving as the marketing engine for Kokuyo Group, we will use Kaunet’s direct marketing function to expand the range of products we offer.

Kaukore Premium, a private brand inspired by customers’ problems

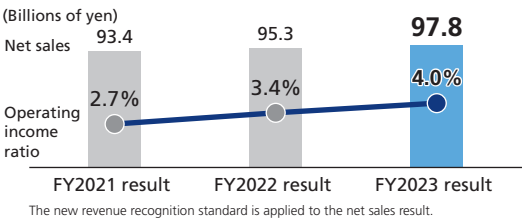
Kaunet has differentiated itself from competitors by delivering unique office goods from a customer perspective. Exemplifying this differentiation strategy is Kaunet’s private brand Kaukore Premium. Kaunet developed the brand in its own creative way after listening to the problems, annoyances, and needs customers experience.

The lineup of products embodies Kaunet’s distinctive values in that the products are inspired by creative ideas for relieving the stresses and distractions of office life so that office workers can work more effectively. Kaukore Premium’s flagship product is the meeting bag series. A strong seller with a ten-year history, the meeting bag provides an easy way to carry office tools around. Another product is a noiseless adhesive tape, which can be used without creating a distracting noise. Another is a plastic sheet that can be laid in a cabinet or on a shelf to stop files falling over. These are all niche products, but they have resonated with customers and proven very popular.

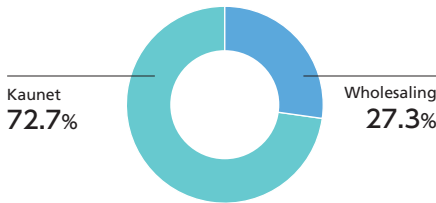
These products were created as a result of listening carefully to customers’ needs and problems and then swiftly incorporating the feedback into the product design process. With this product development process serving as our marketing engine, we used it to create a new Kokuyo brand, Kokuyo HibiFull.



Performance over the years



Net sales breakdown (FY2023)



Lifestyle Field: Business strategy

Stationery Businesses

**Future vision**  
Expand the value-added stationery business in global markets  
**Goal**  
FY2024: Net sales 90.7 billion yen  
Operating income 8.0 billion yen

- Opportunities**
- Room for streamlining business processes in Japan
  - Growing market for value-added stationery in China and elsewhere in Asia
- Risks**
- The Japanese market is shrinking
  - Economic uncertainties persist in China



**Hidekuni Kuroda**  
Representative Director of the Board, President & CEO and Division Manager of Global Stationery Business Division



**Masaharu Inoue**  
Managing Officer, Deputy Division Manager of Global Stationery Business Division

Market situation

The stationery market on the whole is shrinking amid digitalization and the falling birthrate. However, the spread of social media has created a growing market for value-added stationery, with stationery increasingly serving as tools for self-expression.

In Japan, market growth is sluggish. Overseas, market growth is particularly striking in India.

Our strategy is to penetrate the global market for value-added stationery and the Indian market.

Summary of business performance

In Japan, performance has been hit hard by sluggish demand and high raw material prices. We are working to improve profitability by optimizing the allocation of resource.

In China, we continue to see brisk demand for stationery items marketed toward schoolgirls, but the Chinese economic downturn has mired the outlook.

In India, our efforts to transform sales processes and strengthen merchandising have led to better sales productivity, contributing to the stationery business's profit growth

Financial results for the sub-segment were as follows: Net sales totaled 83.9 billion yen (6.9% up from the previous year) and operating income totaled 6.8 billion yen (0.2% up).

Strengths

We empower creativity and deliver new value and experiences through stationery to enliven people's work life, study life, and private life, and solve the problems they experience in each setting. Entrenched into our organization is a culture of experimentation, which drives our innovation. KokuyoDoors (described below) started out as an experiment and is now celebrated as an example of Kokuyo's distinctive approach to retail store development, embodying our focus on designing experiences.

We have powerful assets to drive our global expansion strategy, in which we focus on value-added stationery. One such strength is the knowhow we have accumulated in Japan. Another is an approach to market research that is based on direct connections with customers, as illustrated by the success of the pop-up shops we have organized as a form of test marketing.

Growth Strategy

- 1 We will expand in e-commerce, strengthen digital marketing, and expand the range of our merchandise.
- 2 We will reallocate resources and optimize costs to deliver profit growth.
- 3 To accelerate business growth overseas, we will work closer with overseas subsidiaries to generate value and increase exports to new territories.
- 4 To maintain growth in China, we will monitor customers' shopping habits and develop retail stores.
- 5 In India, we will expand supply of key products and invest in value-added products to deliver profit growth.
- 6 We will expand further in other ASEAN markets.

KokuyoDoors: Showcasing unique value by a set of "doors"

In January 2023, we opened KokuyoDoors, a directly managed retail store, in Haneda Airport, to showcase the unique values of both Japan and our stationery. KokuyoDoors offers stationery products with nifty little features that deliver the ultimate in usability. Examples include the stapleless stapler Harinacs Press and the 28-corner eraser Kadokeshi. The products have eye-catching packaging and are sold in gift sets, encouraging international visitors to take them to their home countries as souvenirs. As well as such merchandise, we have Bungustand, Japan's first stationery vending machine powered by IoT, and an area where people can try out writing on samples of Campus notebook paper straight from the plant. Through such initiatives, we are embedding into the very process of encountering stationery our ethos of designing experiences and presenting a tomorrow you can't wait for.

Attracting media attention in Japan and around the world, KokuyoDoors has received (as of end of March 2024) a total of 260 thousand visitors from more than 30 countries. The product designs and functions have resonated with international visitors, who can experience the products using in-store videos and touch-and-try samples. Some 20 thousand stationery products have been purchased and taken overseas.

We incorporate qualitative data (such as customer feedback) and quantitative data (such as sales figures) into product and sales planning to help us market directly to international audiences in a way that will give us an even closer relationship with them.

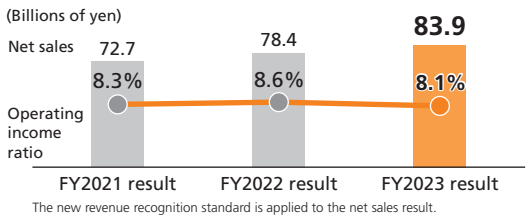


BUNGUSTAND, Japan's first vending machine powered by IoT

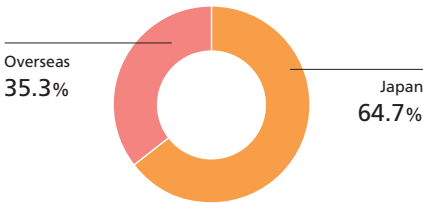


Inside KokuyoDoors

Performance over the years



Ratio of overseas sales to Japanese sales (FY2023)



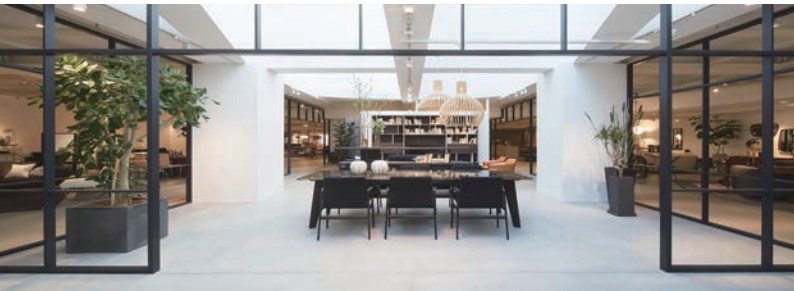


Interior Retail Businesses

**Future vision**  
Build solid performance by opening new outlets, strengthening e-commerce, and winning B2B contracts

**Goal**  
FY2024: Net sales 20.2 billion yen  
Operating income 0.6 billion yen

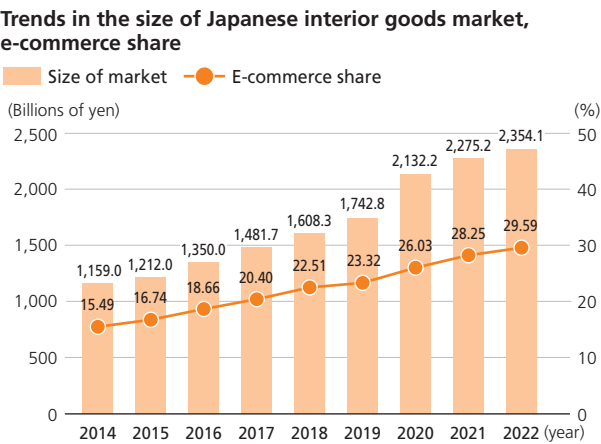
- Opportunities**
- Demand for added value in life spaces continues to grow and the rise in online shopping continues.
  - Demand is growing for office space designs that can cater to diverse workstyles.
- Risks**
- Having surged during the pandemic, demand for interior goods has stagnated
  - High raw material prices and the low yen are driving up costs



Market situation

In 2023, demand shifted from indoor consumption to outdoor consumption, while consumer enthusiasm for interior goods stagnated amid prolonged inflation. On the other hand, with the need for enriching home life remaining strong, we expect a fair degree of demand among people with an interest in interior goods and among affluent and high-income groups.

E-commerce makes up a higher portion of sales in the home furniture industry year by year. In FY2022, it accounted for some 30% of sales and this is set to increase in the years ahead. With Actus being a lifestyle company that offers authentic life-enriching solutions, we have built a distinctive position in the market, giving us access to market segments with a strong interest in interior goods.



Source: Market research on e-commerce transactions that METI released in 2023 as part of its project to prepare an environment for digital transactions

Strengths

Aiming to improve the quality of life in Japan, Actus has developed a wide range of sales channels for selling clothing, food, and high-quality interior goods and services that emphasize elegance and delicacy. Actus's forte in interior design solutions, cultivated since our foundation, enables us to go beyond B2C retail and deliver interior design services for public facilities, accommodation facilities, and model apartment spaces.

Our environmental efforts also constitute a strength. In 2017, Actus achieved net-zero waste in all distribution centers. In 2019, 99% of original Actus furniture products satisfied the requirements for F 4-star, the best formaldehyde emission grade.

Growth Strategy

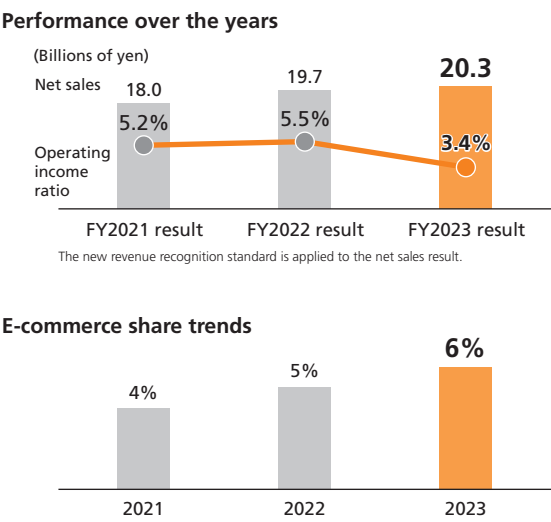
- 1 An Online Merges with Offline (OMO) strategy will be the growth driver. We will use the OMO strategy to reach out to customers and build lifelong customer loyalty. We will also invest in digital technology to adapt to changes in consumer behavior.
- 2 We will use a European brand that Actus exclusively owns to attract affluent market segments and increase our market share. To that end, we will diversify our approaches to affluent market segments. Approaches will include showrooms for exhibiting goods in this brand.
- 3 We will use THINK PORTAL, Actus's live office, and strengthen Actus-Kokuyo coordination to expand the reach of the office business. We will raise our profile in the office sector by exhibiting at Orgatec Tokyo.

Business overview

Although the pandemic-era stay-at-home demand has come to an end, online shopping remains popular. We made headway in promoting sales in our e-commerce business.

Nonetheless, revenue declined from the previous years level because of the low yen, higher SG&A expenses, and because of a revenue comedown from the large B2B order we had last year. Financial results for the sub-segment were as follows: Net sales totaled 20.3 billion yen (3.2% up from the previous year) and operating income totaled 0.6 billion yen (35.8% down).

To build solid performance, we will open new outlets, strengthen e-commerce, win more B2B contracts, and pursue an online-merged-with-offline (OMO) strategy, merging brick-and-mortar stores with the online store.



OMO with high-quality content

In June 2023, Actus's online store introduced Actus Style Board, which showcases interior design and styling ideas of in-store staff. Linked with an external e-commerce site, ACTUS STYLE BOARD drives sales on Actus's online store and encourages site visitors to visit brick-and-mortar stores and see the staff who proposed the idea. In this way, the initiative helps merge the online and offline stores, enhancing customer experience value.

Actus's YouTube channel features high-quality content and has attracted a total of 46 thousand subscribers. With this online content, and with charismatic and popular staff, Actus has built a passionate and dedicated community.



ACTUS STYLE BOARD



Actus YouTube content (episode on lighting, part of the Unchiku Monogatari series)

THE CAMPUS FLATS TOGOSHI

Opened in September 2023 in Togoshi, THE CAMPUS FLATS TOGOSHI is Kokuyo's first apartment complex. The apartments are designed and furnished using good eighty %, an interior brand for millennials developed by Actus's young employees.

Young employees from Kokuyo and Actus worked together in a co-creation project to make an apartment complex like none that have come before. One concept they followed was supporting lifestyle prototyping. Other concepts were the good eighty % brand's "so far, so good" concept and encouraging tenants to try out something they have always wanted to do.



THE CAMPUS FLATS TOGOSHI interior design was overseen by the good eighty % team.

Field Expansion in Existing Businesses: Business Strategy

Workstyle Field

**Future vision**  
Expand business focusing on office space design and product development that caters to changes and diversification in workplaces

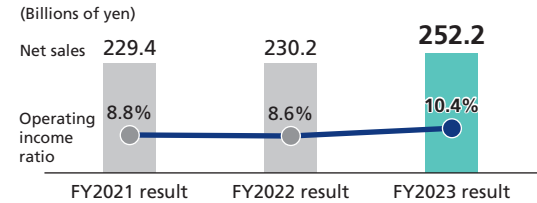
- Opportunities**
- Hybrid work has caught on
  - With business expansion, we can cover new needs related to office supplies.
- Risks**
- Economic uncertainties persist in China

Lifestyle Field

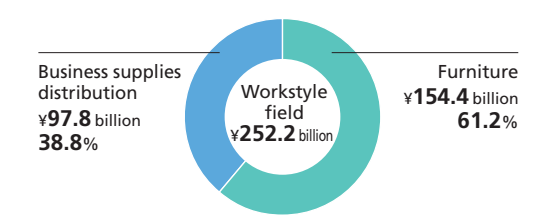
**Future vision**  
Expand sales of value-added stationery and furniture into Asian markets and brand Kokuyo products as lifestyle tools

- Opportunities**
- Through e-commerce, we are gaining better positioning in China.
  - E-commerce is expanding in Japan and overseas.
- Risks**
- Economic uncertainties persist in China.

Performance over the years



Breakdown of net sales in workstyle field (FY2023)



Market situation

Values regarding workstyles have changed since the pandemic prompted a rapid rise in organizationally supported remote work across Japan. Consequently, work is increasingly unconstrained by time and space, and new needs have emerged in relation to workspaces and new product categories. Instead of sticking to our existing fields, we managed to expand the range of what we offer.

Progress in third medium-term plan

Our third medium-term plan commits us to expanding the reach of our furniture businesses and our business-supplies distribution business into the field of workplaces. We made progress in such field expansion with a number of projects. Some projects involved delivering an overall concept and interior design ideas for office spaces suited to the customer's needs (a key example is Fujifilm Creative Village). Other projects involved channeling Kaunet's direct marketing function into the products we offer (a key example is Kokuyo HibiFull).

Fujifilm Creative Village

Opened in May 2023, Fujifilm Creative Village is Fujifilm's new center for design and IT development. This project marked a first for our organization in that we were involved in the project from the site selection process onward and engaged in the concept for the building as a whole along with the interior design and construction.

In our field expansion strategy for this business, we have expanded from just delivering office furniture to office design and office setup services, drawing upon our strength in co-creation with empathy. The Fujifilm Creative Village project exemplifies how we have full channeled this strength.



FUJIFILM Creative Village

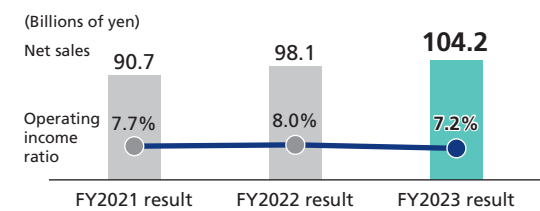
Launching Kokuyo HibiFull, a brand of daily necessities for offices

After analyzing the vast volume of marketing data Kaunet has acquired, we identified a rising need for the in-office use of daily necessities typically used in the household. To tap into this need, we turned a Kaunet private brand into a Kokuyo national brand. The launch of Kokuyo HibiFull marks an expansion of our merchandise from mainly offices supplies to a new product segment, daily necessities.

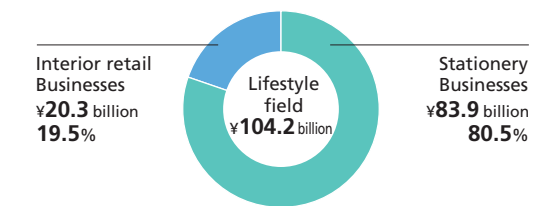


Easy-tie high-density garbage bags

Performance over the years



Breakdown of net sales in lifestyle field (FY2023)



Market situation

Key to field expansion in lifestyle tools is change and diversification in values related to learning styles and lifestyles. While the stationery business is affected by ongoing economic stagnation in China, we will expand the business in other Asian markets and grow our fanbase in these markets to achieve field expansion.

For field expansion in interior retail, we will integrate offline stores with our e-commerce business as part of a marketing strategy that will tap into needs.

Progress in third medium-term plan

Our third medium-term plan commits us to expanding the reach of our stationery businesses and our interior retail businesses into the field of lifestyle tools. Defining our stationery as lifestyle tools, we marketed such added-value lifestyle tools to schoolgirls in China. This marketing proved successful, and we used the success as a springboard for expanding into other global markets.

Tapping into stationery demand among schoolgirls in China

We have worked to develop our stationery as value-added stationery that resonates with people's need for self-expression and as lifestyle tools that serve as everyday goods. In China, we found success by expanding our focus to lifestyle tools, keeping a focus on stationery, and marketing them to schoolgirls in a way that resonated with such lifestyles needs. We also used e-commerce to rapidly raise our profile.



PASTEL COOKIE SORA

Penetrating global value-added markets

We are steadily expanding in China, building on the success we gained in marketing lifestyle tools to schoolgirls. We are also making inroads into other Asian markets. In Thailand, Malaysia, for example, we have organized pop-up shops selling value-added stationery.



Pop-up shop in Thailand